



Strategic Thinking

About this Topic: Strategic Thinking



Topic Mentor

David J. Collis

David J. Collis is a professor in the strategy unit at the Harvard Business School, where he teaches the MBA and in Executive Education programs. He is an expert on corporate strategy and global competition, and is the author of the recent books *Corporate Strategy* (with Cynthia Montgomery) and *Corporate Headquarters* (with Michael Goold and David Young). His work has been frequently published in the *Harvard Business Review*, *Academy of Management Journal*, *Strategic Management Journal*, *European Management Journal*, and in many books, including *Managing the Multibusiness Company*, *International Competitiveness*, and *Beyond Free Trade*.

In addition to teaching, Professor Collis consults to several major U.S. corporations, and serves on the Board of Trustees of the Hult International Business School, and the advisory boards of WebCT, Vivaldi Partners, and Folderwave. He is also the cofounder of the eLearning company E-Edge, and of the advisory firm Ludlow Partners.

Topic Source Notes

Learn

Edward De Bono. *Six Thinking Hats: An Essential Approach to Business Management from the Creator of Lateral Thinking*. Toronto: Key Porter Books Ltd., 1985.

Giovanni Gavetti and Jan W. Rivkin. "How Strategists Really Think: Tapping the Power of Analogy." *Harvard Business Review OnPoint Enhanced Edition*. Boston: Harvard Business School Publishing, 2005.

Lauren Keller Johnson. "Debriefing Paul Nutt: Increase the Odds of Being Right." *Harvard Management Update*, June 2005.

Adrian J. Slywotzky and John Drzik. "Countering the Biggest Risk of All." *Harvard Business Review OnPoint Enhanced Edition*. Boston: Harvard Business School Publishing, 2005.

Steven J. Spear. "Fixing Health Care from the Inside, Today." *Harvard Business Review OnPoint Enhanced Edition*. Boston: Harvard Business School Publishing, 2005.

"Strategic Thinking," white paper, Interaction Associates, April 2005.

Successful Manager's Handbook: Development Suggestions for Today's Managers, Second Edition. Minneapolis: Personnel Decisions International, 1992.

Successful Manager's Handbook: Develop Yourself Coach Others, Seventh Edition. Minneapolis: Personnel Decisions International, 2004.

Steps

Successful Manager's Handbook: Development Suggestions for Today's Managers, Second Edition. Minneapolis: Personnel Decisions International, 1992.

Successful Manager's Handbook: Develop Yourself Coach Others, Seventh Edition. Minneapolis: Personnel Decisions International, 2004.

Tips

Successful Manager's Handbook: Development Suggestions for Today's Managers, Second Edition. Minneapolis: Personnel Decisions International, 1992.

Successful Manager's Handbook: Develop Yourself Coach Others, Seventh Edition. Minneapolis: Personnel Decisions International, 2004.

Tools

Successful Manager's Handbook: Development Suggestions for Today's Managers, Second Edition. Minneapolis: Personnel Decisions International, 1992.

Successful Manager's Handbook: Develop Yourself Coach Others, Seventh Edition. Minneapolis: Personnel Decisions International, 2004.

What Would You Do?

What would you do?

Shane is a product manager at Bailey Toys and Games. Top management has recently challenged all units to increase revenues by 5% in the coming year. Shane's boss has asked him to think strategically about ways to fulfill this mandate.

Shane has some ideas about how to update some of the games in his product line with new packaging and new features that would really appeal to customers. He'd like to explore the implications and feasibility of his ideas, but he's not sure how to proceed.

What would you do?

Shane realizes that many of the games in his product line require strategic thinking. He could use the same strategic thinking process to assess his ideas' potential and select an appropriate course of action.

Shane would need to gain a solid understanding of the broader business environment in which he operates and consider how his ideas would impact other parts of his organization. Then Shane could apply his strategic thinking skills, such as weighing the possible trade-offs of spending resources on repackaging existing products instead of developing new games. Or he could engage his team in creative thinking sessions to generate other alternatives for increasing revenues.

In this topic, you'll learn more about these and many other strategic thinking skills, and find guidelines for applying them in your workplace.

As a manager, you will face complex decisions without easy answers. How do you examine situations from a broad perspective and develop solutions that benefit your organization?

Topic Objectives

This topic will help you:

- Understand what strategic thinking is and why it's valuable
- Recognize the personal traits, behaviors and attitudes, and cognitive capacities that strategic thinkers demonstrate
- View strategic thinking as a process
- Apply seven strategic thinking skills—seeing the big picture; clarifying strategic objectives; identifying relationships, patterns, and trends; thinking creatively; analyzing information; prioritizing your actions; and making trade-offs

Key Idea: What is strategic thinking?

Key Idea

Your boss just told you to "think strategically"—but what does *that* mean? In its most basic sense, strategic thinking is about analyzing opportunities and problems from a broad perspective and understanding the potential impact your actions might have on others. Strategic thinkers visualize what might or could be, and take a holistic approach to day-to-day issues and challenges.

Like all other managers, you routinely encounter complex situations, difficult problems, and challenging decisions. Your job is to deal with these situations as best you can by using the information you have. In an ideal world, you would have access to all the information you need to navigate through these challenges. Unavoidably, however, you have only a limited amount of information to work with. And because you sit in a particular part of your organization, you have a limited view of the forces that lie outside your sphere of influence.

Strategic thinking helps you overcome these limitations. When you think strategically, you lift your head above your day-to-day work and consider the larger environment in which you're operating. You ask questions and challenge assumptions about how things work in your company and industry. You gather complex, sometimes ambiguous data and interpret it. And you use the insights gained to make smart choices and select appropriate courses of action.

Moreover, you do all of these things with an eye toward generating the best possible business results tomorrow, using the opportunities presented to you today.

What does it mean to "think strategically"? How do you assess the environment in which you're operating and make smart decisions that will generate the best results?

The power of collaboration

Strategic thinking can be done collaboratively as well as individually. By thinking strategically in groups, you gain other people's perspectives on critical and complex issues—an important benefit in today's challenging business landscape.

Every manager in your organization has a unique view of how the company operates. By asking peer managers questions about how they interact with people from various parts of the enterprise, you strengthen your understanding of how your actions might affect them and their work.

For instance, suppose you work in accounts receivable and want to overhaul your billing system. You know that the IT group, as well as all managers who generate bills, will be affected. However, you decide to ask others in the organization about how changing the billing system might impact them. Through conversations with people in the marketing department, you learn that your proposed changes will have significant consequences for the package design group. Why? All designs will now need to incorporate a larger bar code to accommodate changes in the billing-system technology.

By collaborating with others, you gain greater insight into the complex ramifications of even seemingly minor decisions. This insight, in turn, helps you make more strategic choices.

Leadership Insight: Values in action

Strategic planning offers a really wonderful methodology for really taking on any kind of a project. Whether you are running your life or a whole organization, it provides a framework that starts with really defining what your mission is and what it is that you want to achieve. And I love this methodology. I find I am very passionate about applying it, because if it is done right, it really allows you to tackle any project in a values-based way.

So if you have a vision statement, and everybody is a part of developing that vision, it really provides you with a framework to teach people how you want them to behave — and that is so key. You want to guide them toward what you want.

So I worked in a group at a hospital and emergency room at one point. This is a very high-pressure environment, and you can imagine that people see all sorts of terrible things. It's very stressful and it's 24/7 and it is relentless. And there were a couple of bad actors in this group; they'd get very stressed and they would just act out in certain ways that were demoralizing to other members of the team.

So the goal was to get these people to stop acting in that manner. I didn't think it was going to be all that effective to put together a workshop that talked about how not to behave. So what

we did do is get the group together — and it was a small microcosm of this larger hospital — and we had them craft their own mission statement and talk about what they wanted to do.

We had them look at their own values as individuals and as a group. And then we took that and we had them develop a credo statement and a boundary statement. And the credo said that as a part of this group, we have these certain core beliefs — this is what we value; this is how we want to treat one another and our patients. And people really signed on to that. They all had a say in what was drafted in there and they all had a stake in seeing it come true.

On the flip side, they also crafted a boundary statement, which was basically "I will never" statements. And one of the statements was, "I will never treat my colleagues in a disrespectful manner." Then we were able to approach the training in a much more positive way. We could say, "All right, here is your mission, here is your vision, this is what you want to achieve, these are the values that you all espouse, and so now we are going to really focus on how we are going to treat one another so that we can bring those values to life, and we can live them every day in taking care of our patients in this really high-paced stressful environment."

And then we role modeled what that behavior looked like. We threw out some scenarios and we said, "Great! If you are living according to your values and your credo, what does that look like?" People talked to one another and they really got it. And on the flip side, we only indulged once in what a negative behavior was, but we took the most egregious thing that we knew that one of the members of the team had done in the past. And that was reflected in a boundary statement that we would never, ever treat people disrespectfully.

And we actually had that person role model what that looks like. But we didn't pick them out and say, you are a nasty person and don't do this. We had them really look and pretend to be quite abusive toward a colleague and then talk about how ridiculous it was afterward. And in that way, they were able to address the behavior they never wanted to see but then very quickly went back to reinforcing the behaviors that they did want.

And that is the power of a positive vision statement. Everybody can buy into that. Everybody knows that they want to achieve that. They are passionate about reaching that agreement, and therefore they understand that how they behave has everything to do with their ability to achieve that vision and wonderful or powerful things can result.

Defining your values in a mission statement is a powerful basis for team collaboration.

Allison Rimm
Senior Vice President of Strategic Planning and Information
Management, MGH

Allison Rimm is the Senior Vice President of Strategic Planning and Information Management at Massachusetts General Hospital.

In addition to her work at the hospital, Allison is the President and CEO of Allison Rimm and Associates, LLC, which provides coaching and management consulting services to visionary organizations seeking to harness the power of their employees.

Her consulting practice focuses on matching the needs of organizations with the skills, talents, and passions of their workforce to drive

extraordinary business performance and to create teams that are joyfully committed to their collective mission.

She has merged her passion for teaching and coaching with her strong executive skills to create the popular Business of Life workshops. These experiential workshops teach participants how to apply the principles of strategic planning to achieve their personal and professional goals. Her Web site is www.allisonrimm.com.

Why is strategic thinking important?

“ The real voyage of discovery consists not in seeking new lands but in seeing with new eyes. ”

–Marcel Proust

When you and others in your organization think strategically, you generate important benefits for your organization:

- You chart a course for your group that aligns with the overall corporate strategy.
- You make smart long-term decisions that complement and align with decisions that others in your organization are making.
- You gain your employees' commitment to supporting your decisions.
- You boost your group's performance and maximize business results.
- You foster a culture that supports fresh thinking and embraces strategic initiative.

Strategic thinking also nets you valuable professional and personal benefits—including the respect and appreciation of your supervisor, peers, and direct reports.

Who needs to think strategically?

In today's highly competitive and fast-changing business world, *everyone* in an organization must know how to think strategically. Only then can an organization leverage the full range of creativity and knowledge embodied throughout its workforce.

Personal traits



Managers who think strategically demonstrate specific personal traits, behaviors, attitudes, and thinking skills.

You're on your way to becoming a strategic thinker if you exhibit the following personal traits:

- **Curiosity:** You're genuinely interested in what's going on in your unit, company, industry, and wider business environment.
- **Flexibility:** You're able to adapt approaches and shift ideas when new information suggests the need to do so.
- **Future focus:** You constantly consider how the conditions in which your group and company operate may change in the coming months and years. And you keep an eye out for opportunities that may prove valuable in the future—as well as threats that may be looming.
- **Positive outlook:** You view challenges as opportunities, and you believe that success is possible.
- **Openness:** You welcome new ideas from supervisors, peers, employees, and outside stakeholders such as customers, suppliers, and business partners. You also take criticism well by not reacting in a defensive manner.
- **Breadth:** You continually work to broaden your knowledge and experience, so you can see connections and patterns across seemingly unrelated fields of knowledge.

Behaviors and attitudes

You have the makings of a strategic thinker if you continually anticipate your actions' impact on a wide range of individuals—including, but not limited to, your boss, direct reports, peers, and customers.

To do this, you need to:

- Seek other people's opinions
- Ask questions and challenge assumptions about how the world works.
- Focus on the future
- Identify the forces driving your unit and company's performance and think about how to improve that performance
- Watch the competition
- Reassess who your customers are and what they value
- Stay up to date on developments occurring in your unit, in other groups in the company, and in your industry overall
- Open yourself to ongoing learning by reading books, magazines, and industry reports; attending seminars; and talking with experts

By practicing these behaviors, you more readily spot valuable new opportunities to capitalize on. And you identify and repel potential threats before they can do any real damage.

Cognitive capacities

“In strategy it is important to see distant things as if they were close and to take a distanced view of close things.”
—Miyamoto Musashi

In addition to specific personal traits, behaviors, and attitudes, strategic thinkers demonstrate characteristic cognitive capacities. They:

- Objectively analyze a situation and evaluate the pros, cons, and implications of any course of action
- Grasp abstract ideas and put the "pieces" together to form a coherent picture

- Generate a wide range of options, visualize new possibilities, and formulate fresh approaches to their work
- Factor hunches into their decision-making without allowing their hunches to dominate the final outcome
- Understand the cause-and-effect linkages among the many elements that make up a system—whether the system is their team, unit, or organization, or a project or process

Key Idea: An ongoing process

Key Idea

Strategic thinking is an ongoing process rather than a one-time event. People who think strategically constantly reassess their business environment—whether at a corporate level, looking at the company's strategy, customers, competition, industry trends, or at the unit level, analyzing the group's internal challenges and positioning. They then gather and analyze extensive information to estimate the changes that must be made today in order to generate desired results tomorrow.

The strategic thinking process consists of two distinct phases: setting the stage to take into account a high-level view of your business environment and applying your skills in a systematic way to achieve results.

Strategic thinking is a process. Successful strategic thinkers constantly reevaluate their environment and plan for the future.

Phase 1: Setting the stage

In this phase, you look at the broad implications of issues and clarify your objectives for thinking strategically. This phase includes:

- **Seeing the big picture**—understanding the broader business environment in which you operate
- **Clarifying strategic objectives**—determining what you hope to achieve by thinking strategically

Phase 2: Applying your skills

Once you've set the stage, you put your strategic thinking skills to use in order to generate results. This phase includes:

- **Identifying relationships, patterns, and trends**—spotting patterns across seemingly unrelated events, and categorizing related information to reduce the number of issues you must grapple with at one time
- **Thinking creatively**—generating alternatives, visualizing new possibilities, challenging your assumptions, and opening yourself to new information
- **Analyzing information**—sorting out and prioritizing the most important information while making a decision, managing a project, handling a conflict, and so forth

- **Prioritizing your actions**—staying focused on your objectives while handling multiple demands and competing priorities
- **Making trade-offs**—recognizing the potential advantages and disadvantages of an idea or course of action, making choices regarding what you will and won't do, and balancing short- and long-term concerns

Key Idea: The business ecosystem

Key Idea

Strategic thinkers continually improve their view of the larger "business ecosystem" in which they operate. They understand their company's and unit's strategies. They stay up to date on the issues and concerns of their customers, competitors, and industry as they relate to their job function. And they consider the potential impact of their decisions and actions on the company overall and on their boss, managers of other units and teams, and employees. They do all of this with a long-term perspective rather than focusing only on the short-term implications of their actions.

They then use their awareness of the big picture to inform their on-the-job choices.

How do successful strategic thinkers keep an eye on the big picture?

Understand your company's and unit's strategies

Awareness of your company's and unit's strategies is vital to your ability to think strategically. Do whatever it takes to understand the corporate strategy and how it affects your unit's strategy. Talk with your boss and peer managers, examine annual reports and other company publications, and listen to your CEO's speeches.

Sometimes the way in which executives allocate resources in your company can suggest something about the high-level strategy. If you observe the company is investing in acquisitions of competing firms, you might deduce that its strategy involves eradicating rivals and growing its market share.

Then use your understanding of this strategy to ensure that your group supports it.

For example, suppose your company has a clearly stated strategy of expanding into new markets overseas. You can use awareness of this high-level strategy to define your group's direction.

- If you lead a product development group, you might evaluate the appeal that your existing products have in the targeted overseas market.
- If you lead a market research group, you may want to design surveys and other tools for testing potential interest in your company's offerings in the intended new market.
- If you lead a customer service group, perhaps you'll explore how your group's services can be scaled to meet the demand of the overseas customer segment you'll be serving.

With every important decision that you weigh, ask, "Will what I'm considering doing help my unit and company carry out its strategy? Or will my proposed course of action make it more

difficult for us to achieve our strategic goals?"

Think about your customers, competitors, and industry

“ The future influences the present just as much as the past. ”
–Friedrich Nietzsche

When thinking strategically, you need to consider what's going on outside your company as well as what's going on inside. That means staying current with external customers' needs, competitors' moves, and industry trends. Your job function will determine how much you'll need to make this a priority.

For example, if you work in sales, you'll need to know your customers, competition, and industry intimately. If you work in manufacturing, however, you may not need to study your company's competition quite as closely.

To assess developments outside your company, ask these questions:

- **Customers.** "Who are our customers, and what do they value? How might their needs evolve in the future?" Customer surveys, focus groups, and other methods can help you gain answers to these questions.

For example, after surveying customers about their latest challenges, one manager at an industrial-gas supplier proposed that the company start providing environmental consulting services to customers. He won approval for his idea, and the new service proved a hit—enabling the gas supplier to capture more of its customers' spending.

Good ideas like these can come from every level in an organization—but especially from managers who deepen their knowledge of customers.

- **Competitors.** "Who are our current competitors, and what tactics are they using? How are we different from them? What strengths do they have that might prove a threat to us? What weaknesses might they have that we could exploit?" You can gain information about competing companies by becoming their customer yourself, reading analysts' reports (of publicly traded companies), and networking with other professionals who are familiar with these firms.

For instance, one manager at a local retail store visited a major rival discount store in town and listened in on shoppers' conversations. He concluded that shoppers cared far more about the discounter's low prices than brand-name styles. The manager suggested to his store's executives that, to compete against the big discounter, they could strive to attract style-conscious customers. By going after a different customer segment than that sought by their rival, the store maintained a solid position in the business.

- **Industry.** "What trends—in technology, governmental policy, natural resources, and other key forces shaping our industry—might have important implications for our business?" You can stay on top of this information through reading a wide range of business publications, talking with other informed professionals, and participating in trade and professional associations.

For example, while reading a food-industry trade journal, one manager learned that the government was considering requiring food companies to list additional ingredients in their product labeling. The manager knew if this legislation passed, the label size would

increase and could potentially overlap with some of the marketing copy on the products. Thus, the manager met with people in the marketing department and together developed a solution that met everyone's needs. By having ideas ready, he was able to prepare his company for immediate compliance with the new legislation—should it pass—with minimal delay and disruption to the business.

Leadership Insight: Operation one voice

Hewlett-Packard (HP) is an interesting company to study. It's a very large company, geographically diversified across a whole variety of different, not only geographies, but across different product groups. They make everything from small PCs — netbook personal computers — all the way to very large enterprise software systems. It has an extremely profitable stock price that is doing really, really well.

But the background is that HP has grown not organically, but by acquisition. HP has grown by buying other companies or merging with other very large companies.

So the question becomes: How do you lead employees and how do you motivate employees, when those employees come from other companies? How do you integrate them into your culture?

HP approached this problem in a very interesting way. Rather than force the old HP culture onto new employees, they decided to create an entirely different culture. They call it their "customer-centric" culture or "customer-focused" culture.

The added advantage to doing this is that it allows HP to differentiate itself from its competition in a "technology-centric" industry. While their competition was focused on developing the latest hardware or the latest software without really thinking about whether that software and hardware made sense for the customers that they hoped to market it to, HP went at it the other way.

They focused on customers first. And they realized that if they were customer-centric, it didn't matter where the employees were located or what companies they came from, they all had one voice. In fact, they call this their "Operation One Voice Initiative." They all had this one voice, and they could all pull together working in exactly the same strategic direction.

How do you pull employees together to work in one strategic direction?

Rohit Deshpandé
Professor, Harvard Business School

Rohit Deshpandé is Sebastian S. Kresge Professor of Marketing at Harvard Business School. He currently teaches in the Owner/President Management Program and has previously taught global branding, international marketing, and first-year marketing in the MBA program.

In addition to teaching marketing, Rohit was a part of the design and delivery team that created the Leadership and Corporate Accountability

MBA required course at Harvard Business School, which focuses on ethics and corporate governance.

His primary research interest is the creation and implementation of customer-centric corporate culture.

Rohit is a published author of several technical articles, cases, and monographs. His most recent books include "Developing a Market Orientation," "Using Market Knowledge," and "The Global Market: Managing the Challenges and Opportunities of Globalization."

Before coming to Harvard, he was the E. B. Osborn Professor of Marketing at the Amos Tuck School of Business Administration at Dartmouth College.

He received his Ph.D. from the University of Pittsburgh, and his Master of Business Administration from Northwestern University. He also earned his Master of Management Studies and Bachelor of Science from the University of Bombay.

Activity: Strategy in the news

Keeping your eye on the news is essential to having an up-to-date strategy. Read all the news and then use it to decide on a strategy.

Richard is a product manager at Wilmont Brothers, a mid-sized manufacturer of low-end furniture looking to improve profits. Richard is considering how some changes in the company's strategy might affect profitability. The market data in today's newspaper might provide some useful information.

Article One: NEW HOMEBUYERS LOOKING FOR STYLE. The popularity of cable shows dedicated to home improvement has heightened consumer interest in high-end designer furniture . . .

Article Two: SWEDISH FURNITURE GIANT AIMS FOR THE MASSES. Jokeean, the number-one furniture retailer worldwide, has decided to focus primarily on low-cost furniture for the mass market . . .

Article Three: FURNITURE MAKERS FIND PROFITS IN NICHE MARKETS. With large manufacturers dominating the market for low-cost furniture, smaller companies are seeking out niches to stay profitable . . .

Article Four: HOME BUILDERS LOOKING TO CUT COSTS. A buyer's market in homes has led construction firms to reduce their construction costs as much as possible . . .

Which of the following strategies best balances all the available information about Wilmont's customers, competitors, and industry?

- ☐ Follow the example of the industry leader by focusing on the same market

Not the best choice. With evidence to suggest that some buyers are looking for more style than bargain furniture has to offer, this choice would pit Wilmont against the industry leader in a market the competition already dominates.

- ☐ Focus on emerging niche markets rather than those already dominated by market leaders
Correct choice. While major competitors favor cheap and mass-produced furniture options, it may be worth the expense for Wilmont to contract with well-known designers in order to capitalize on an underserved high-end market.
- ☐ Form strategic alliances with leaders in the construction industry
Not the best choice. Pre-furnished homes account for only a small piece of a market that is already suffering. Additionally, this choice ignores the indication that there are profitable markets available among furniture shoppers, and that style-conscious customers are looking for options.

Consider your internal stakeholders

Also take into account how your choices and ideas will affect the people around you in your organization—your supervisor, managers of other units and teams, and your direct reports. All of these people are internal stakeholders in any important decision you make. Some may have an interest in the decision's outcome. Others will be profoundly affected by that outcome. Still others may want to block your plans or even oppose your course of action outright. Whatever the case, you'll need their support to implement your decisions.

The following approaches can help you systematically consider your internal stakeholders' needs and concerns:

- **Identify potential stakeholders and their interests.** When you're considering a course of action or a decision, brainstorm all the individuals who may be affected by or have an interest in your choice. Consider the business process that your decision will affect. Ask: "Who's involved in this business process? What are their roles and responsibilities? What's the nature of the relationships among them? What are their goals?"
- **Gather information from stakeholders.** Present your ideas to the stakeholders you've identified, and invite these individuals to share any concerns and ideas they might have. Ask open-ended questions about your idea, such as "What problems do you foresee? What ideas do you have for improving the plan? What's needed for this idea to work for you? What do you see as the pitfalls?"
- **Listen carefully to underlying issues.** Define problems from the perspective of each stakeholder, listening carefully to their concerns. Look for ways to address concerns that overlap multiple stakeholder groups.

For example, suppose you advocate adopting a new customer database to better manage customer relationships. This idea may raise concerns for several stakeholders: The IT group will need to spend extra time researching and installing the database. Your employees will have to learn how to use the new system. The finance group may be concerned about its cost. Managers in other units may not want to take the time to input customer data from their records. As time seems to be a common concern, you might propose a short pilot project that enables everyone to test the new database quickly before deciding whether to commit resources to a larger initiative.

If you neglect to understand your internal stakeholders' concerns, you can inadvertently create widespread problems.

For instance, suppose you run a manufacturing group at your organization. You decide to buy a piece of equipment that lets you produce 5,000 units of a particular product part that your group manufactures, at a dramatically lower cost per unit. That's good news for your group's performance—but you discover that the decision has created problems for the key accounts group. Why? They've promised small, cost-effective, quick-delivery customized products for major customers. The set-up cost associated with switching the equipment for small runs is high in relation to the number of units being produced. Furthermore, to fulfill those orders, you have to wait until your new machine has finished a 5,000-unit run before you can use it to produce the smaller, customized orders. The expensive set-up fees and the delays in switching the equipment make it difficult for the key accounts group to promote customized orders and promptly fulfill those orders.

Activity: Survey the room

Can you recognize and address stakeholder concerns?

Richard is a product manager at Wilmont Brothers, a furniture company. He has decided that a good strategy for the company would be to move into the high-end furniture market. He arranges a meeting of major stakeholders to see what they think of this idea.

Marketing Director: I like the idea! It will allow us to position ourselves as modern and contemporary. I might recommend a mid-range product line as well for people who want style but can't afford a premium product.

Chief Operating Officer: Interesting idea. I'm worried, though, that we may have to invest in new infrastructure in our factories to produce the new product lines.

Vice President of Sales: I've been pushing our current product successfully for years. It may be a tough sell to get retailers to stock a considerably more expensive product line.

Chief Financial Officer: Sounds promising. But how much will it cost to get these designers on board? And what do you expect in terms of revenue?

How should Richard respond to his stakeholders' concerns?

- ☐ Move forward with a more detailed plan outlining expected costs and revenues

Correct choice. While most stakeholders seem to agree that there is merit in this plan, there are several concerns revolving around the costs associated with conceptualizing, producing, and distributing these new furniture pieces. Richard should address these concerns by providing more detailed cost and revenue projections.

- ☐ Minimize retailers' costs of supporting a new product line by applying additional marketing resources

Not the best choice. While the concerns voiced by the Sales Department may be addressed with the support of the Marketing Department, this does not address the valid concerns of the Chief Operating Officer and Chief Financial Officer.

- Hire designers to create new product lines for both high-end and mid-range customers, with some restrictions on designs to minimize infrastructure modifications

Not the best choice. Most stakeholders are intrigued by Richard's plan to introduce designer furniture. However the concerns the Chief Operating Officer and Chief Financial Officer voiced around whether the costs involved can be balanced by additional revenues need to be addressed through additional analysis before Richard can move forward with a plan.

Ask for specifics



Once you've gained a sense of the big picture, it's time to clarify your strategic objectives. That is, you need to determine what you hope to achieve through strategic thinking.

Oftentimes, your boss may define strategic objectives for you—for example, "We need to cut costs to improve company profitability." But if such objectives are presented in vague or overly general language, confusion may result.

For instance, you might think you're satisfying the cost-cutting mandate by reducing expenses in your immediate group—only to discover that your boss wanted to implement broader-scale programs to cut costs across the entire division.

To avoid such misunderstandings, ask your boss questions about the objectives he or she defines for you. Examples might include:

- Where in our organization do we need to focus our cost-cutting efforts?
- What degree of cost-cutting are we aiming for?
- Which processes am I free to change in order to cut costs, and which processes must remain untouched?

Also offer additional ideas about objectives your boss has defined.

For instance, "Are there different objectives that can help us further enhance the company's profitability—such as boosting sales in addition to cutting costs? If we cut costs in this particular area, would these changes affect other areas of the company in ways that could ultimately raise costs and defeat our purpose?"

Taking a broader perspective and asking questions about how your potential actions will impact others are hallmarks of strategic thinking.

Leadership Insight: Share the vision

I've often talked to emerging managers in companies who have said, "Why do I need to know about strategy? I am not at the stage in my career where I'm actually developing the strategy yet. Why is it important to me?" The reason it's important is because you're a part of what that strategy is. And that, no matter where you are within a company, to do your tasks well you need to have an understanding of why they matter and how do they fit it into some sort of larger whole.

And by understanding the strategy and what the essence of the competitive position is that the firm is seeking, then you can better align your decisions and your activities with what the company is really trying to accomplish.

I've worked, I can't tell you, in countless organizations where strategy hasn't been clear. And if it's not clear, it's very difficult for people throughout the organization to know how should they be making certain kinds of decisions. Should they serve this channel or that channel? Should they offer a new product or hold it back? It all depends. It all depends on strategy.

And if you don't have a clear understanding of what your strategy is in your business, you need to find out. Because it's very hard to take meaningful action in a concerted way that serves the company if you don't know what the strategy is.

Decision makers at all levels need to understand their organization's strategy.

Cynthia Montgomery **Professor, Harvard Business School**

Cynthia A. Montgomery is the Timken Professor of Business Administration and immediate past chair of the Strategy Unit at Harvard Business School, where she has been on the faculty for 20 years.

Cynthia's research centers on strategy and corporate governance. Of particular interest are issues relating to boards of directors, the creation of value across multiple lines of business, and the role leaders play in developing and implementing strategy.

Her work has appeared in top-tier managerial and academic outlets, including Harvard Business Review, the Financial Times, and American Economic Review. She is the coauthor of "Corporate Strategy: Resources and the Scope of the Firm" with David J. Collis and the editor of "Resource-Based and Evolutionary Theories of the Firm."

Prior to her time at Harvard, Cynthia taught at the Graduate School of Business at the University of Michigan and at Northwestern's Kellogg School of Management, where she was recognized with its Outstanding Teacher of the Year award. At Harvard, she received the Greenhill Award for her contributions to the School's pedagogical mission. Her

dissertation work on corporate-level strategy won the General Electric Award for Outstanding Research in Strategic Management.

Define your own objectives

In addition to handling immediate objectives presented by your boss, you also need to define your own long-term objectives for your group. To do that, make time to regularly ask yourself questions such as the following:

- What should my group be doing in five years to make the best possible contribution to the company?
- What business will our organization be in five or ten years from now, and how can my group support that business?
- What changes might be looming on the business horizon, and how can my group best plan for and benefit from those changes?

By regularly asking such questions and gaining agreement from your boss on the strategic objectives for your group, you help ensure that your group stays on track and remains aligned with corporate strategy.

Evaluate project-related objectives

Frequently, you may come up with ideas for projects that you believe will generate important strategic value for your organization.

For example, suppose you're a manager in the IT department and you propose developing a new database that will enable the company to acquire and analyze more comprehensive and accurate information about customers' preferences and purchasing activities. In your mind, the project's objective is clear: to improve knowledge of customer preferences so as to serve them more profitably. But other managers may have additional objectives in mind for the project—such as extracting customer information more quickly than before, obtaining customer reports in new formats, and so forth. If you try to satisfy all these objectives, the project scope may soon balloon to impossible proportions. Result? Resources end up getting spread too thin, and the project fails.

To think strategically in such situations, you need to clarify the strategic priority that the project is intended to serve.

Here are some questions that can help you ensure that your project supports strategic objectives and balances the needs of various stakeholders with higher-level strategy:

- What is the perceived strategic need that this project is intended to satisfy?
- Who has a stake in the solution or outcome?
- How do the various stakeholders' goals for the project differ? Do their goals align with the higher-level strategic goals we're trying to achieve through this project?
- Are there other projects that would help us better satisfy the strategic need we've identified? If so, what are they? And how do they compare with the current proposed project—in terms of cost, feasibility, and so forth?

Developing objectives

“What do you want to achieve or avoid? The answers to this question are objectives. How will you go about achieving your desired results? The answer to this you can call strategy.”

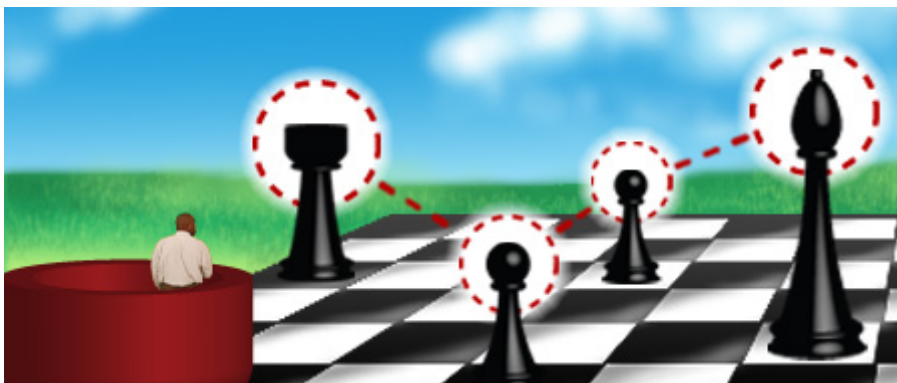
–William E. Rothschild

Whether your objectives have been given to you by your boss or you're creating objectives, make sure they are SMART—specific, measurable, achievable, realistic, and time bound.

For example, one human resources task force charged with developing a new health care benefits plan defined the following SMART objective:

Example of SMART objective	SMART criteria
"To recommend, ...	Achievable
...at the June...	Time bound
...board of directors' meeting, the three...	Specific
...providers that offer the best and broadest coverage at a cost that is at least 10% less than the company's current per-employee contribution."	Realistic and measurable

Make connections



The capacity to understand relationships across different parts of your organization, and to spot patterns and trends in seemingly unrelated events and information, constitutes a hallmark of strategic

thinking. By seeing relationships, patterns, and trends, you can generate valuable solutions to problems and reduce the amount of detail you must grapple with in order to make decisions.

Consider these examples of seeing relationships, patterns, and trends:

- **A new IT system.** By serving on a cross-functional team comprising managers from several other parts of your organization, you learn that the IT group is proposing that the company install an enterprise resource planning (ERP) system that links customer databases and other software applications throughout your company. But your group has just decided to adopt a stand-alone customer database. You realize that your group and IT will be working at cross-purposes if both plans move forward. You conclude that it would be better to hold off installing your stand-alone database until you know more about whether the ERP project will be approved.
- **Automobile manufacturing processes.** You're reading an article about a method for improving shop-floor processes in auto manufacturing. You find yourself thinking about ways to apply some of the method's principles to your own unit's operations—even though you lead a customer call center, not a manufacturing unit.
- **Defecting employees.** You work in human resources, and you notice that the employees who leave your company for jobs with other organizations increasingly tend to be those individuals who possess unique technical skills and knowledge—such as expertise with leading-edge software applications and familiarity with the latest code-writing practices. This trend prompts you to examine how your organization uses recognition and rewards to retain employees who possess unique and rare skills.
- **Customer complaints.** As you're reviewing customers' anecdotal comments on complaint forms compiled from the past year, it strikes you that many of the different comments seem related.

For example, you see explicit remarks such as "Your reps don't know anything about the product you're selling." But you also see more ambiguous comments, including "Fed up with lousy treatment" and "Don't have time to keep calling." You begin to see an underlying theme related to sales representatives' competency—and devise ways to define and strengthen required competencies.

Devise smart solutions

Seeing patterns and trends can help you generate creative, valuable solutions to problems.

- For example, suppose you learned that an auto maker had found a way to improve its operations—in real time, as people carried out their work. Perhaps the company stopped work processes each time a problem arose, identified the cause of the problem, and devised a trial solution that it then tested immediately on the job.

In this case, you might decide to use a similar real-time experimental method to address process problems in your own unit.

- For instance, perhaps your customer call center has a goal of answering calls within three rings. Yet representatives often have difficulty meeting this goal.

With the auto manufacturer's method in mind, you decide to conduct a simulation: One of your employees poses as a customer and makes several phone calls to a service representative within an hour. Every time the representative can't answer the "call" within three rings, you stop the simulation and ask, "What kept you from answering on time?" You hear responses such as "I

couldn't resolve the current call in time to pick up the next one" and "I didn't hear the first few rings because of a distraction in the next office."

You and your team design potential solutions to these problems, then restart the simulation to test your ideas.

- For example, you reconfigure office space to reduce distraction, and discover that the change enables the representative to meet the goal more often.

Thanks to your ability to see that a process-improvement strategy could work in two organizations as different as an auto manufacturing floor and a customer call center, you enable your group to provide better customer service.

Categorize information

When you see patterns across supposedly unrelated information, you can more easily organize detailed information into categories—thereby reducing the number of details you need to pay attention to.

Consider a scenario about customers' comments on complaint forms. If you were unable to see patterns in the information on the forms, you might conclude that each comment represented a unique type of problem that customers were experiencing. And you'd probably feel overwhelmed by the degree of detail. Equally important, you'd find it difficult to design a solution that addresses each problem.

But what if you were able to recognize that many of the comments reflected a shared, underlying theme? You decide to contact the customers who wrote the ambiguous comments and ask for more detail. By doing this, you discover that many of these customers have experienced frustrations during their interactions with sales representatives.

You conclude that there are inadequacies in your representatives' competencies. By grouping the data into one category—employee competency—you create a more manageable degree of detail. And you focus your efforts on dealing with that one problem area.

Because the ability to see relationships, patterns, and trends helps you categorize detailed information, it enables you to process information more quickly—and therefore boosts your chances of arriving at effective solutions more speedily.

Key Idea: Strengthen your ability to identify relationships

Key Idea

How might you enhance your ability to see relationships, patterns, and trends? The following techniques can help:

- Get to know people in other functional groups by volunteering to serve on cross-functional teams or committees. Find out these groups' strategies and goals, and compare them to your group's objectives to assess whether they fit— or whether you're working at cross-purposes.
- Obtain a copy of your company's organization chart. Find out what major functions other groups in your company are responsible for and how these groups affect your group's work

—and vice versa. Ask your manager or an experienced peer to help explain these connections.

- When examining large quantities of seemingly unrelated data or looking at apparently unconnected events, ask, "What seems to be the common theme underlying the different pieces of information or events? What do the data seem to be telling me?"
- Whenever you hear about or read about a good idea or practice, ask, "How might I apply this approach to my own situation? What common challenges does my group share with this seemingly different group that might mean this good idea could work for us?"
- Track changes over time for performance metrics that are important to your group.

For instance, if customer loyalty, as measured by repeat purchases from key accounts, is vital to your group's performance, monitor customers' repeat purchases and watch for any signs of trouble—such as flattening or declining loyalty, or defection of key customers to a competitor.

Improving your ability to see connections is about asking the right questions and analyzing important information.

Key Idea: What is creative thinking?

Key Idea

Creative thinking is the ability to generate fresh alternatives, visualize new possibilities, formulate new approaches to getting things done, and open yourself to new information that doesn't support your existing assumptions about the way people should do things at your company.

When you think creatively, you create new value for your unit and company—in the form of more efficient processes, more innovative product ideas, and better ways to serve customers.

How to get your creative juices flowing? Consider these techniques:

- Challenge your assumptions.
- Welcome provocation.
- Envision an ideal world.
- Gather others' perspectives.
- Create the right environment.

Everyone wants to think outside the box, but where do you start? And what value does this ability bring to your company?

Leadership Insight: Business choices

When you think about how strategy has been taught in most business schools, it's basically coming from the left brain. We think about strategy as having something to do with analysis and

logic and planning. And all that's true. And it's very important, inescapable. But there's another part to strategy, too, which has to do with creativity. It has to do with motion. It has to do with openness. Not necessarily something that's closed and settled.

And the metaphor that I like to think about is thinking about the existentialist. And what we know in existentialist thought is that they said existence precedes essence. So in other words, you are, before you are anything in particular.

So you go in. You're a strategist in a business. It is as it is. But the question is, where are you going to take that business? What are you going to make of that business?

And how you do that is through the choices that you make. You really give it the essence. So it starts out. It has an existence, but it's actually the building and shaping of the firm that gives it its essence.

And each of us, in our own lives, the most important lever that we have to affect our lives, the quality of our lives, are the choices that we make. Things happen in the environment, lots of things you can't control. But the most important lever that you control are the choices that you make.

And it's the same for a company. But who plays that role? Who is it that makes the choices that matter the most to a company's identity? To who it will be as a player in the marketplace? That's the strategist. And living those questions is the most important responsibility of the strategist.

And I like to think about it as, you know, Sartre had a wonderful line, and it's, "We know everything, except how to live." And that's the question that the strategist must answer for a company. Not answer it once, but answer it again and again over the life of the business: "Who are we? And why do we matter? To whom?"

The strategist must continuously ask: Who are we? And why do we matter? To whom?

Cynthia Montgomery **Professor, Harvard Business School**

Cynthia A. Montgomery is the Timken Professor of Business Administration and immediate past chair of the Strategy Unit at Harvard Business School, where she has been on the faculty for 20 years.

Cynthia's research centers on strategy and corporate governance. Of particular interest are issues relating to boards of directors, the creation of value across multiple lines of business, and the role leaders play in developing and implementing strategy.

Her work has appeared in top-tier managerial and academic outlets, including Harvard Business Review, the Financial Times, and American Economic Review. She is the coauthor of "Corporate Strategy: Resources and the Scope of the Firm" with David J. Collis and the editor of "Resource-Based and Evolutionary Theories of the Firm."

Prior to her time at Harvard, Cynthia taught at the Graduate School of Business at the University of Michigan and at Northwestern's Kellogg School of Management, where she was recognized with its Outstanding

Teacher of the Year award. At Harvard, she received the Greenhill Award for her contributions to the School's pedagogical mission. Her dissertation work on corporate-level strategy won the General Electric Award for Outstanding Research in Strategic Management.

Challenge your assumptions

Challenging your beliefs about how things should be done in your organization can generate valuable new ideas. To challenge assumptions, ask questions such as "Why do we believe this process should be handled only in this way? What if we did it this other way instead?"

For instance, suppose your unit has always shipped products to customers on Tuesday mornings, but this approach has led to bottlenecks in the shipping department. You ask, "Why do we ship products on Tuesday mornings only? How might customers respond if we shipped later in the day, or shipped on Wednesday?" With a little market research, you discover that customers would be equally satisfied with shipments on Tuesday evenings or Wednesday mornings. You change the shipping schedule—removing a major bottleneck in the delivery department.

Welcome provocation

Be willing to entertain ideas that strike you as provocative and even downright preposterous at first. Some of these ideas may ultimately lead to new ideas that can be turned into practical value.

For example, suppose you work for a consumer electronics company. It's Monday morning, and you're chatting with a colleague about the weekend. Your colleague happens to mention that he installed new windows in his home on Saturday. Suddenly, an image forms in your mind: a television screen with small "windows" that show what's on other channels. Though at first this idea seems strange, your company eventually develops it into an innovative feature that scores a major hit with consumers.

Envision an ideal world

Sometimes imagining what might be possible in an ideal world can help you generate useful new ideas or solve a nagging problem.

For instance, suppose you run a manufacturing unit, and employees are increasingly uninterested in working the weekend shifts. You conduct a brainstorming session with fellow managers to come up with solutions to the problem. Someone mentions, "We need to use better incentives with our employees. Let's pay people more to handle the weekend shifts, or withhold promotions from those who refuse to take those shifts."

While this may seem like a possible solution, you don't stop there. You ask, "In an ideal world, what would we see happen?" Someone else answers, "Well, in *my* ideal world, people would love working weekends." This comment leads you to envision a permanent Saturday/Sunday workforce that is separate from the Monday-through-Friday workforce. The idea initially seems unworkable—after all, the company has never tried this before. However, the organization agrees to test it in a pilot program—and it proves successful.

Gather others' perspectives

Deliberately inviting people who work in other parts of the organization to share their views of a problem or challenge can help you see that there is more than one way to perceive a situation.

For instance, imagine that you're an account manager for a product line that has experienced flat sales. You believe that the product's price may be causing the problem. You call together a group of peer managers to discuss pricing strategy. At the meeting, you present your thoughts: "As I see it, we've got three alternatives: leaving the price as is, lowering it, or raising it. Is that how you all see the situation?"

A manager from marketing responds, "You know, these aren't the only options. Have you thought about changing your promotion of the product to give it a more sophisticated image, and then using that image to justify a higher price? What about leaving the price as is and giving special discounts?" A key account manager chimes in, "You could also try lowering the price on some of the product line, or reducing it for a specific amount of time and then raising it again."

These ideas generate additional ideas from other participants in the meeting. By the end of the meeting, you've generated many more alternatives than you would have if you had stuck with your original perspective. And whenever you generate more alternatives, you stand a better chance of selecting a more effective solution to a problem than if you had considered only one or two options. Indeed, your meeting ultimately leads you to create a low-price commodity version of the product *and* a high-price premium line—both of which sell briskly.

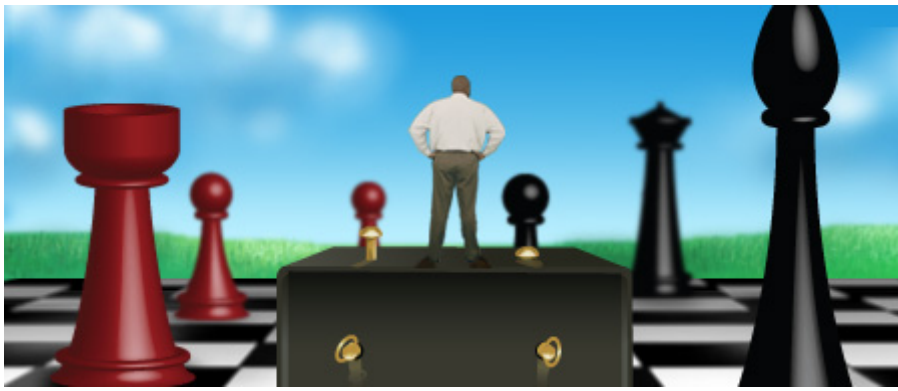
Create the right environment

By far the most important ingredients for creative thinking are having an open mind and not being defensive or territorial about your ideas. Create a supportive environment where people feel they can generate ideas freely, without being judged or criticized.

For example, during brainstorming sessions, allow people to blurt out as many ideas as they can generate. List all ideas without commenting on them or permitting anyone else to comment on them. Express appreciation for seemingly "wacky" ideas—the more playful and imaginative, the better. Don't worry about narrowing wide-ranging ideas down to the most practical ones until everyone has finished brainstorming.

Use toys and humor to "loosen" people up and put them in a playful mood. The more relaxed people are, the easier it is for them to envision fresh possibilities and open themselves to new ideas.

Determine critical information



Whenever you're confronted with a complex situation on the job—whether it's making a crucial decision, managing a complex initiative, solving a problem, or improving a process—you often must wrestle with large volumes of information. How do you ensure that you've got all the right information at hand? And how do you weed out irrelevant information so you can address the situation most effectively? This ability constitutes another important part of the second phase, applying your strategic thinking skills.

Before you gather information, begin by listing the critical information you need to know in order to resolve the issue facing you. One way to do this is to step away from the details of the situation and view the issue from a fresh perspective by asking questions as if you were an outsider.

For instance, suppose you run an order-fulfillment group. Recent survey results indicate that customers are not satisfied with the timeliness of their order deliveries. You believe there might be a demand for an expedited delivery service at a premium price. To explore this option, you might ask those in your unit the following questions:

- How is increasing the level of customer service a strategic goal for our unit?
- How might the overall level of customer satisfaction be improved?
- Have customers voiced a need to have products shipped faster?
- Do other companies who compete with us offer expedited delivery options?
- If we did offer an expedited delivery service, how might that impact other groups in the company? For example, how quickly could the IT group add this information to the order entry screen?
- How might faster order-fulfillment times affect inventory management?
- Has anyone in the organization rolled out a similar type of service in the last year or two? If so, what lessons can we learn from that experience?
- Does the order-fulfillment group have the capability to provide this type of service?

Use the "80-20" rule

As you sort through the information you receive, consider the 80-20 principle, which offers helpful lessons for prioritizing information. This rule (often referred to as the Pareto principle, or the "law of the vital few") states that the relationship between input and output is rarely, if ever, balanced.

When applied to work, it means that approximately 20% of your activities produce 80% of your results. The 80-20 rule reminds you to focus on the 20% that really matters. Identify and focus on those things that contribute to that 20% and you will be well on your way to analyzing information more productively and effectively.

Avoid irrelevant information

Don't bother considering information that's unnecessary, marginally useful, or overly time-consuming to collect—even if it strikes you as interesting. Focus your information-gathering efforts on data that will help you move forward to a resolution.

For example, with the question of expedited delivery service, you might find yourself wondering how late deliveries are affecting your customers. But having this information won't help you determine whether to introduce a new service. You already know that late deliveries are bad for business. To address the issue, you need to analyze the issue from a broad perspective and understand the impact that your proposed actions might have on others.

In addition, when your information yields marginal results, try not to overanalyze small discrepancies.

For example, suppose you're exploring product defects created by a piece of manufacturing equipment. In one week, the machine might generate 150 defective products. In another week, the machine might generate 160 flawed products. In all likelihood, it's not worth your time to investigate why one week's defective products are slightly higher than the previous week's. If, however, the discrepancy is greater—say 150 defective products in one week versus 450 in another—then you probably should explore the matter further.

The question to continually ask is: "Would gathering more information fundamentally change the answer that you already have?" If the answer is no, then you need to move on. If it's yes, then you need to collect more information.

Develop and implement an information-gathering plan

Determine how, where, when, and from whom you will gather the information you need to address your issue. Conversations with people inside and outside your organization, written materials, group discussions, surveys, Internet searches, and direct observation can all be sources of information.

For instance, to determine whether to introduce an expedited delivery service, you might gather information through the following means:

- Talk with your boss about the need to improve order delivery times.
- Visit the various sites (warehouses, customer service centers, distribution centers) that make up your order-fulfillment system and interview personnel to find out ways the process might be improved.
 - Inquire about problems workers are encountering in carrying out their jobs.
 - Ask about changes in their unit (such as new hires or new technologies) that may be creating difficulties.
 - Ask about possible negative outcomes they might encounter if an expedited delivery service were adopted.
 - Listen for possible root causes of the late-delivery problem—such as lack of awareness of expectations or inefficiencies in certain processes.
- While visiting these sites, you might also take time to observe how people are carrying out their work and resolving difficulties as they arise. Again, look for possible root causes of your problem, and use your conclusions to begin thinking about solutions.

Activity: Looking for clues

Good strategists know where to get the information that they need. Can you determine which information is useful to developing a new strategy?

Richard, a project manager at Wilmont Brothers furniture company, resolves to investigate other information sources that may factor into his strategic thinking.

He recalls something that a friend said while moving into a new house: "I wish there were more furniture options for people like me. I'm willing to pay for modern style, but I can't afford custom-made furniture."

Richard wants to tailor his strategy to customers like his friend. Where could he go to learn more about their needs? Evaluate each option.

At Sales, Richard can learn which Wilmont Brothers products sell best, and gather demographic information describing the typical buyer of each product.

Should Richard speak to Sales to find out more about his customers' needs?

☐ Yes

Correct choice. The sales team has valuable insight into customer preferences and spending power.

☐ No

Not the best choice. The sales team has valuable insight into customer preferences and spending power.

Currently, most of the staff at the central office is reviewing information on Wilmont's competitors and their prospective strategies for the new year.

Should Richard speak to the Office to find out more about his customers' needs?

☐ Yes

Correct choice. Knowledge of Wilmont Brothers' competitors' strategies will help Richard formulate a successful strategy for producing and marketing affordable, stylish furniture.

☐ No

Not the best choice. Knowledge of Wilmont Brothers' competitors' strategies will help Richard formulate a successful strategy for producing and marketing affordable, stylish furniture.

There is a meeting at the central office between Wilmont's executive staff and some established furniture designers that the company is eager to work with.

Should Richard attend the meeting to find out more about his customers' needs?

☐ Yes

Correct choice. Furniture designers can suggest alternative materials and designs that can lower production costs, making Wilmont's furniture options more affordable.

☐ No

Not the best choice. Furniture designers can suggest alternative materials and designs that can lower production costs, making Wilmont's furniture options more affordable.

Wilmont's shipping department also handles returns, which often puts them on the front line of customer satisfaction issues.

Should Richard speak to Shipping to find out more about his customers' needs?

☐ Yes

Not the best choice. Customer returns that are handled by the shipping department are likely to relate to product quality or durability, rather than price or whether the furniture is considered stylish.

☐ No

Correct choice. Customer returns that are handled by the shipping department are likely to relate to product quality or durability, rather than price or whether the furniture is considered stylish.

The factory has information on prospective production costs for any new product line that the company might introduce.

Should Richard speak to the Factory to find out more about his customers' needs?

☐ Yes

Correct choice. Keeping production costs low is key to being able to price the new furniture line at an affordable price.

☐ No

Not the best choice. Keeping production costs low is key to being able to price the new furniture line at an affordable price.

Wilmont Brothers has good relationships with the many retail stores that sell its furniture, and Richard knows the managers of some of these stores personally.

Should Richard speak to Retail to find out more about his customers' needs?

☐ Yes

Correct choice. At retail stores, Richard can observe customers, see what kind of furniture sells particularly well, and get a sense of what prices customers are willing to pay.

☐ No

Not the best choice. At retail stores, Richard can observe customers, see what kind of furniture sells particularly well, and get a sense of what prices customers are willing to pay.

Build on existing knowledge

Avoid reinventing the wheel. Instead, ask: "Have I or someone else in the organization faced a similar situation in the past? If so, how was it handled? What were the results? How might we fine-tune the solution to accommodate conditions that have changed since that earlier time?"

For example, ask other managers how they've handled delays in their groups' key processes. They may have developed solutions or strategies that you can adapt or apply directly to your own situation. They may also know something about certain steps in your process that can shed light on possible solutions.

Establish clear, realistic timelines



Knowing how to prioritize your actions constitutes another aspect of applying your strategic thinking skills. In any business situation—whether it's managing a project, planning your day, making a decision, or solving a problem—you can spend your time and energy in an almost infinite number of ways.

Think about the goals you want to accomplish and the strategic initiatives you're managing. Create clear, realistic timelines for achieving these objectives. The more realistic your timeline, the better your chance of avoiding the chaos and inefficient use of resources that occur when people set impossible schedules.

To establish a realistic timeline for a strategic initiative:

1. **Estimate the length of time each phase will take.** Create a chart or diagram depicting the time needed for each phase. Calculate the time required to carry out the entire effort.
2. **Compare your individual and total time estimates to the time required on similar efforts that have been completed.** Do your estimates seem realistic? Do you need to add contingency time in the schedule to accommodate potential delays? Where might it be possible to tighten up the schedule to liberate time for another phase of the initiative?

3. **Identify phases that can't be completed until other phases are complete.** These represent potential bottlenecks in the process.
4. **After making any necessary revisions to your timeline, ask several colleagues or members of your team to examine the schedule and identify potential problems with it.** Also consult people who will be implementing various aspects of the initiative, as well as customers, suppliers, and other external stakeholders. They can offer additional valuable insight into potential problems with your timeline.
5. **After gathering a wide range of input, develop solutions to identified problems and create a final version of your timeline.**

Key Idea: Keep your eye on the big picture

Key Idea

As you consider the many different tasks you want to complete today, tomorrow, or later this week, you may well find yourself compiling a dauntingly long "to do" list. Rather than tackling the various tasks at random, picking off the easiest or quickest tasks first, or plowing through them in the order in which you've listed them, take a moment to prioritize your list items based on how well they support the big picture—your company's and unit's high-level goals.

Ask yourself, "Which of these are the most critical—that is, which will generate the most important results for my group and company? Which are more peripheral—in other words, they don't have as much bearing on my group's or company's high-priority goals? If I ran this company, which of these tasks would I pay someone to work on?"

Remember that some tasks may be urgent but not important in the big scheme of things. For instance, a report may be due by the end of the day (urgent), but completing it on time may contribute little or nothing to your group's high-level goals (not important). If you give in to completing urgent but not important tasks, you risk neglecting more strategically valuable actions.

By identifying high-priority actions, you can more easily figure out how to use your time and which tasks to focus on in what sequence. You can divide your workload into parts and determine which parts should be done today, tomorrow, next week, and next month.

You can also more readily identify which less strategically important actions can be delegated to members of your team—or even be left undone.

Any project is bound to require a long list of tasks. Where should you begin? How do you know which tasks are most critical?

Consider the options



Applying your strategic thinking skills also means assessing the trade-offs involved in selecting a particular course of action—and selecting the most appropriate trade-off.

In general, most decisions you make involve a trade-off.

For example:

- You oversee a product development group and your team is charged with creating a new product. The director of sales asks if you can release the product four weeks ahead of schedule to satisfy a major customer. You know this decision will require people in other groups—marketing, manufacturing, customer service, fulfillment, and so forth—to expedite their work for an earlier delivery date. You also know that the quality of the product could be jeopardized. You decide to risk losing the sale to the major customer and release the product on schedule as originally planned.
- Your budget for a major initiative has enough funding to cover three of the four deliverables you'd like to see the initiative provide. After talking with others in your company, you decide which deliverable to omit.

As these examples suggest, making trade-offs involves setting priorities, identifying alternatives, understanding the impact of your actions, and clarifying what you will strive to accomplish through a particular course of action—as well as what you won't seek to attain.

Assess your choice's pros and cons

Whenever you consider a potential course of action—a new strategy for your group, a new product feature, an initiative to improve a business process—ask yourself what advantages and disadvantages might be associated with that course of action.

The table below represents a strategic framework for thinking about options and shows how this analysis might look if you're considering developing a new product feature:

Pros and Cons of New Product Feature

Advantages	Disadvantages
Lets us charge a higher	Might cannibalize

price	sales of previous product version
Might attract new customer segments	Could be perceived as unnecessary or annoying by consumers
Could improve brand awareness: our company is on the leading edge of technology	Would require expensive redesign of base product

You can't likely do it all—develop a new product feature that avoids expensive redesign, that doesn't threaten sales of earlier product versions, that can be sold at a sufficiently high price, and so forth. Thus, you need to make trade-offs.

How to do so? Consider your company's and unit's strategic goals. Do these goals emphasize reducing costs? Improving brand awareness? Simplifying product-development processes? Your answers can help guide your decisions about what to trade off.

Activity: Wilmont's pros and cons table

The careful weighing of pros and cons is a big part of strategy. Show that you can see the pros and cons of different strategies and pick the one that best aligns with business objectives.

Richard works as a product manager for a furniture company, Wilmont Brothers. Wilmont has decided to pursue a new business strategy. Its objectives include boosting revenues by hiring high-profile designers to create new products for the high-end market, maintaining flexibility in case a downward turn in the economy dries up the market for high-cost luxury furniture, and minimizing the time and money needed to begin producing the new products. Richard must consider how many, if any, changes to make in the company's production infrastructure to accommodate daring new designs.

Each of the options he considers has pros and cons associated with it, and some of those align with Wilmont's business objectives more than others.

Option 1 is to minimize changes to the current production infrastructure. The pros of this option include the following: It leverages the current infrastructure. It minimizes downtime. It has a low cost. The cons include the following: It limits the potential of new designs. It may lead to additional marketing costs to compensate.

Which of these could be another con for Option 1?

- ☐ Alienates some potential designers
Correct choice. High-profile designers will be less willing to work for a company whose production infrastructure is not really suited to producing high-end designs.
- ☐ May negatively impact company morale
Not the best choice. In fact, of the three options, this one seems the least likely to damage morale, since it minimizes changes to the status quo.
- ☐ Lack of oversight on production
Not the best choice. The furniture will still be produced in-house, under the same high level of oversight given to the company's existing furniture lines.

Option 2 is to outsource production of new pieces to specialty workshops. The pros of this option include the following: It allows a wider range of furniture production. It's more attractive to designers. The cons include the cost of hiring contractors, the lack of oversight on construction, and the potential for escalating costs if more contractors are needed to satisfy production demands.

Which of these could be another pro for Option 2?

- ☐ Minimizes ramp-up time for production
Correct choice. The specialty workshops will already have the infrastructure and personnel needed to start immediate production on Wilmont Brothers' new, high-end furniture designs.
- ☐ Leverages current infrastructure
Not the best choice. Outsourcing production means that the company's current production infrastructure will not be used.
- ☐ Reduces marketing costs
Not the best choice. The introduction of a new product line will almost always require some increase in marketing costs.

Option 3 is to modify the existing infrastructure to allow more flexibility in production. The pros include the following: It allows for a wider range of furniture production. It's more attractive to designers. It partially leverages the current infrastructure. Wilmont Brothers would also maintain a high level of control and oversight. The cons include the training required for new equipment, and the cost of upgrades.

Which of these could be another con for Option 3?

- ☐ Reduces potential range of new designs
Not the best choice. A specialized high-end production department will give Wilmont Brothers greater freedom in tackling a wide range of new designs.
- ☐ Requires hiring of contractors

Not the best choice. This option will make use of the company's current staff, not contractors.

- ☐ May cause a slowdown in production

Correct choice. The production overhaul will likely result in lower production volumes as employees are trained and new equipment is installed.

Weighing all the pros and cons, which of these options aligns best with the company's strategic objectives?

- ☐ Option 1: Make minimal changes to current production infrastructure to produce new furniture line

Not the best choice. While making minimal changes to the company's production infrastructure will certainly save time and money and preserve flexibility, it will do little to attract the high-profile designers Wilmont Brothers needs in order to launch a truly impressive line of high-end furniture designs.

- ☐ Option 2: Outsource production of new pieces to specialty workshops

Correct choice. Outsourcing the production of its high-end designs to specialty workshops has some drawbacks, but it strikes the best balance between the company's objective to move into the high-end furniture market and its objective to minimize costs and maintain flexibility (in case it needs to later move *out* of that market).

- ☐ Option 3: Modify existing infrastructure to allow more flexibility in production

Not the best choice. Although overhauling Wilmont Brothers' production infrastructure might be the best long-term solution in terms of moving into the high-end furniture market, it is the worst solution in terms of minimizing costs and maintaining flexibility.

Weigh short- and long-term outcomes

In considering a course of action, think through the potential short- and long-term impacts of your choice.

For example, suppose you're wondering whether to cut prices on a product line that has experienced declining sales. You realize that cutting prices may boost sales this month or this year. But in the long run, this move could hurt sales. How? Perhaps consumers would come to expect deep discounts on your company's offerings. Thus, they would hold off purchasing your products until you provide another discount. These delays could reduce sales over the long term. However, if boosting sales immediately is a high priority in your company, you may decide to trade off future sales increases for current sales increases.

By sharpening your awareness of the possible short- and long-term consequences of your choices, you can make smarter trade-offs.

Balance unit and company needs

Some decisions involve trade-offs between your department or group and the company overall.

For instance, suppose you lead a sales group whose representatives have won numerous new accounts by promising customers early delivery dates on a new product. That's great for your group. However, it puts a burden on the product development, manufacturing, order processing, and customer service departments—all of whom must accelerate their processes in order to meet the promises the sales reps have made.

This situation may lead to several possible outcomes:

- Your group's actions may have a negative impact on other groups. For example, forcing product development to release a product early may jeopardize the quality of the product. This in turn, might affect product development's unit strategy of trying to raise the quality standard of all products.
- In the end, your group's actions could thus eventually hurt relationships with other groups and with longstanding, existing customers.

In this case, you might need to consider whether to trade off some new sales in return for smoother operation of the rest of your company's functions—so your organization can serve *all* its customers, not just the newest ones.

Learn to say "No"

At times, making a trade-off requires nothing more than specifying what you *won't* do—and not bothering with articulating what you *will* do. Setting boundaries as such is tremendously valuable because it enables you to not waste time on projects or initiatives that you don't support or that will be shut down later.

For example, suppose your group is evaluating the possibility of creating tiered versions of a product—high-end, mid-market, low-end. You've made a strong argument against introducing a low-end product: "It'll hurt our brand image, and it will generate lower profits for us." In this case, you might indicate your trade-off decision by saying something like, "I don't know what a high-end version of the product would look like. But I do know that we won't do a low-end version."

By defining the trade-off in this way, you help your group to focus on the acceptable courses of action—and to develop or maintain strategies for ensuring success.

Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

Scenario: Part 1

Part 1

Andy is a purchasing manager at a prominent hospital. His job is to ensure efficient and cost-effective acquisition, utilization, distribution, and maintenance of medical equipment and supplies throughout the organization.

Top management has challenged all departments to find ways to improve efficiencies in processes, cut costs, and provide better patient care and safety.

At the end of a staff meeting, Andy's boss, Jared, tells him and other managers in his group, "We need to think strategically about how we're going to align our group's efforts with the hospital's goals."

To begin thinking strategically, what might Andy do first?

- [Review his existing vendor contracts and look for ways to negotiate lower prices](#)

Not the best choice.

While examining his existing contracts and looking for ways to negotiate lower prices may help Andy lower costs, he first needs to understand the big picture of what the organization is trying to do in terms of its range of objectives. For example, pressuring vendors to agree to lower their prices may satisfy the hospital's cost-cutting mandate. But if vendors start selling him lower-quality equipment and supplies to remain profitable, this development could eventually jeopardize patient care and safety, thereby conflicting with another important strategic mandate defined by the hospital. Andy therefore needs to look broadly at what his group does, how it can best support all the objectives the hospital is trying to achieve, and what consequences his actions might have over both the short and long term.

- [Talk with peer managers in other departments to see how they're addressing the need to improve processes, cut costs, and improve patient care](#)

Good choice.

Strategic thinkers seek other people's opinions. By collaborating in this way, Andy gains other managers' perspectives and a more comprehensive view of how the different parts of his organization work together. He also might benefit from insights, best practices, and wisdom that others have acquired through

experience. And he can more readily identify possible actions that might work at cross-purposes with others in his organization.

- Call a friend who works in the purchasing department at another hospital to see what his group has done to improve processes, cut costs, and improve patient care

Good choice.

Strategic thinkers constantly consider what's going on outside their organization as well as what's going on inside. That means staying abreast of customers' needs, competitor's moves, and industry trends. Calling his friend at another hospital (a potential competitor) is a smart way for Andy to learn about how other managers in his industry have dealt with challenges similar to those facing his organization. He might also consider contacting managers at organizations in different industries entirely. They may be using approaches to improving processes, cutting costs, and improving the quality of their products or services that he can adapt in his organization.

Scenario: Part 2

Part 2

Andy's conversations with peer managers are interesting and enable him to nurture important cross-functional relationships. However, they don't yield information that he can apply specifically to what he does in purchasing. But his conversation with his friend Kevin at the other hospital proves much more valuable.

Kevin tells him about a new electronic system that his group has implemented to keep track of supplies inventory. The nurses' stations at his organization now have supply units that resemble vending machines. When a nurse or doctor needs a supply, they go to this unit, punch in a few codes, and the item is dispensed. The device updates—in real time—how many units of each supply have been used and when. This information is simultaneously synchronized with inventory records to ensure that supplies don't run low. When inventory reaches a certain level, the system automatically sends a purchase requisition to the vendor electronically. This new system, Kevin tells Andy, has vastly improved the speed and efficiency of the purchasing process. The best part, he adds, is that his department no longer has to deal with paper requisitions.

Intrigued, Andy calls a colleague in IT and asks if such a system could be implemented at his hospital. She thinks it's conceivable. But, she warns, it would require a substantial capital investment.

Weighing his IT colleague's comments, how might Andy proceed?

- Put a business case/proposal together that advocates adopting this type of electronic inventory system at his hospital

Not the best choice.

While an electronic inventory system sounds promising, making a proposal is premature at this stage. Andy should first talk with all the potential stakeholders of his idea—everyone who would be affected by adoption of the new system or who would have an interest in its outcome. Only then can he learn about their needs and concerns and eventually propose a plan that best serves the entire organization.

- Talk informally with doctors and nurses in his hospital about how they use supplies and what problems they may currently be experiencing with accessing supplies

Correct choice.

By talking informally with doctors and nurses (his internal customers), Andy learns about their needs and concerns regarding supplies. As he conducts these conversations, he may gain insights into how best to set up an electronic purchasing system. He may also think of additional ideas worthy of consideration—a range of alternatives that may boost his chances of selecting the best possible solutions to problems with managing purchasing and inventory control problems.

- Gather as much information as he can about companies that make these electronic inventory systems so that he can speak intelligently about the subject with his boss

Not the best choice.

Strategic thinking isn't about becoming an expert on ideas and using your knowledge to persuade others to adopt your idea. Though persuasion skills are important, strategic thinking is about seeing opportunities, exploring their potential value, and considering their broad, practical ramifications for your organization.

Scenario: Part 3

Part 3

By talking with doctors and nurses throughout his organization, Andy hears widespread interest in automation of processes such as supplies ordering. He knows that finding ways to decrease purchase-requisition paperwork would free up medical professionals to focus more on patient care—one of the three strategic mandates defined by the hospital. It would also boost the

efficiency of the people employed in his group—another high-level goal. In addition, he suspects that if he could track supplies more closely, he might be able to consolidate large orders and thus negotiate lower prices from vendors—supporting the hospital's cost-cutting mandate.

A few days later, Andy has lunch with Katrina, a colleague in his group. He mentions the idea of the electronic inventory system. Katrina is intrigued. She mentions that she recently had a conversation with the purchasing director during which he told her that the hospital is setting up electronic medical records for patients and creating an electronic disease-diagnosis system.

Katrina casually says, "Imagine if all these systems were tied together. People could track anything they wanted, from anywhere in the hospital!"

How should Andy respond to Katrina's idea?

- He should mention the idea of the elaborately interlinked automated systems to his boss and suggest assembling a cross-functional team to explore the idea in greater detail.

Correct choice.

A key skill in strategic thinking is being willing to entertain ideas that strike you as provocative and even downright preposterous at first. Some ideas that seem initially unfeasible or too complex to manage may ultimately lead to new approaches that can generate practical value.

- He believes that keeping the hospital's many electronic systems separate would be easier for the organization to manage. He cites the extreme complexity and likely astronomical costs of integrating such a system as additional reasons for nixing the idea.

Not the best choice.

Though integrating electronic systems across the hospital would constitute an immense, expensive project—something on a scale the organization has never handled before—giving Katrina's idea some consideration would demonstrate creative thinking, a key strategic thinking skill. Strategic thinkers frequently generate creative ideas by imagining what might be possible in an ideal world. When you ask yourself and others, "In an ideal world, what would we see happening?" you often envision new possibilities that you might not have considered if you had focused instead on practical considerations that make ideas seem unfeasible.

- Andy feels he doesn't have enough information to think strategically about this idea. He decides to withhold judgment on the notion for the time being.

Not the best choice.

To be sure, integrating electronic systems across the hospital may seem too outlandishly complex to be feasible. But giving Katrina's idea some consideration would demonstrate creative thinking, a key strategic thinking skill. Strategic thinkers are willing to entertain ideas that strike them as provocative or even downright preposterous at first. Some ideas that seem initially unfeasible or too complex to manage may ultimately lead to new approaches that can generate practical value.

Scenario: Conclusion

Conclusion

Andy describes the idea about the integrated electronic systems and cross-functional exploration team to his boss, Jared. Jared expresses interest, and praises Andy for taking a broad perspective, bringing multiple departments together to explore the idea, and keeping the hospital's three-part strategy in mind. Jared is also intrigued by the integrated system's potential for laying the foundation for future improvements in efficiencies, costs, and service quality. "Way to think long term," he says. Jared agrees to follow up with his own supervisor to push the idea forward.

Andy leaves his boss's office knowing that the hospital's CEO or president would need to sign off on such an immense undertaking. But even though Andy doesn't own this decision, nor would he likely oversee implementation of the systems-integration project should it receive executive approval, he has risen to the challenge that his boss originally presented to him and other managers in his group: He applied his strategic thinking skills to identify, explore, and nurture an idea that could benefit both his department and the hospital overall. Equally important, Andy has demonstrated an important principle for any organization seeking to remain competitive in a rapidly changing world: Strategic thinking can—and should—be the responsibility of everyone in an organization.

Activity: Check Your Knowledge: Question 1

What is strategic thinking?

- Analyzing opportunities and problems from a broad perspective and understanding your actions' potential impact on others

Correct choice.

Because you work in a particular part of your organization, you have only so much information at hand to address difficult problems and make important decisions. Strategic thinking helps you overcome these limitations, enabling you to view workplace challenges from a broad perspective and anticipate your decisions' possible impact on other individuals and parts of your organization.

As a result, you make smarter choices and select the most appropriate courses of action to generate valuable results for your organization.

- [Developing plans for persuading your supervisor, peer managers, employees, or customers to adopt your proposed course of action](#)

Not the best choice.

Strategic thinking isn't about persuasion. Rather, it's a way to overcome inherent limitations in the workplace. Because you work in a particular part of your organization, you have only so much information at hand to address difficult problems and make important decisions. Strategic thinking helps you overcome these limitations, enabling you to view workplace challenges from a broad perspective and anticipate your decisions' possible impact on other individuals and parts of your organization. As a result, you make smarter choices and select the most appropriate courses of action to generate valuable results for your organization.

- [Identifying the root causes of problems without allowing emotions to dominate or confuse your thinking process](#)

Not the best choice.

Strategic thinking isn't only about root-cause analysis or cool-headed rationalization. Rather, it's a way to overcome inherent limitations in the workplace. Because you work in a particular part of your organization, you have only so much information at hand to address difficult problems and make important decisions. Strategic thinking enables you to view workplace challenges from a broad perspective and anticipate your decisions' possible impact on other individuals and parts of your organization. As a result, you make smarter choices and select the most appropriate courses of action to generate valuable results for your organization.

Check Your Knowledge: Question 2

Which of the following is a personal trait that is characteristic of strategic thinkers?

- [Keeping an eye on competitors' actions and plans](#)

Not the best choice.

Watching competitors is a *behavior* that characterizes strategic thinking. Defining *personal traits* of strategic thinkers include a positive outlook that enables them to view challenges as opportunities, curiosity about their company and industry, flexibility in the face of new information, a focus on the future, and a breadth of knowledge and experience.

- [Viewing challenges as opportunities](#)

Correct choice.

In addition to a positive outlook that enables them to view challenges as opportunities, strategic thinkers demonstrate other characteristic personal traits—such as curiosity about their company and industry, flexibility in the face of new information, a focus on the future, and a breadth of knowledge and experience.

- Evaluating the pros and cons of alternative courses of action

Not the best choice.

Evaluating alternative actions' pros and cons is a *cognitive capacity* that characterizes strategic thinking. Defining *personal traits* of strategic thinkers include a positive outlook that enables them to view challenges as opportunities, curiosity about their company and industry, flexibility in the face of new information, a focus on the future, and a breadth of knowledge and experience.

Check Your Knowledge: Question 3

What are the two phases of the strategic thinking process?

- Seeing the big picture and thinking creatively

Not the best choice.

Seeing the big picture is only part of phase one of the strategic thinking process, while thinking creatively is part of phase two. The correct answer is "Setting the stage and applying your skills." In phase one, setting the stage, you seek to understand the broader business environment in which you operate and to clarify your strategic objectives. In phase two, you apply your strategic thinking skills, which include identifying relationships, patterns, and trends; thinking creatively; analyzing information; prioritizing your actions; and making trade-offs.

- Prioritizing your actions and analyzing information

Not the best choice.

Prioritizing your actions and analyzing information are skills you apply during phase two of the strategic thinking process. The correct answer is: "Setting the stage and applying your skills." In phase one, setting the stage, you seek to understand the broader business environment in which you operate and to clarify your strategic objectives. In phase two, you apply your strategic thinking skills, which include identifying relationships, patterns, and trends; thinking creatively; analyzing information; prioritizing your actions; and making trade-offs.

- Setting the stage and applying your skills

Correct choice.

In phase one of the strategic thinking process, setting the stage, you seek to understand the broader business environment in which you operate and to clarify your strategic objectives. In phase two, you apply your strategic thinking skills, which include identifying relationships, patterns, and trends; thinking creatively; analyzing information; prioritizing your actions; and making trade-offs.

Check Your Knowledge: Question 4

How do strategic thinkers continually improve their view of the larger "business ecosystem" in which they operate?

- They analyze the impact of their company's products and services on high-level, emerging developments such as the accelerating globalization of business and organizations' increasing emphasis on improving customer service.

Not the best choice.

Improving your view of the larger "business ecosystem" in which you operate isn't only about understanding how your company affects worldwide business developments. It's about constantly monitoring what's going on both inside and outside your organization—and using your awareness to make smart on-the-job choices that ensure your company's best possible future. Familiarizing yourself with company- and unit-level strategy; understanding changes in customers, competitors, and your industry; and anticipating how your choices may impact people and processes in other parts of your organization all help you gain the broad perspective you need to make savvy business decisions.

- They understand their company's and unit's strategies; consider what's going on with customers, competitors, and their industry; and take into account how their actions might affect others in their organization.

Correct choice.

Improving your view of the larger "business ecosystem" means constantly monitoring what's going on both inside and outside your organization—and using your awareness to make smart on-the-job choices that ensure your company's best possible future. Familiarizing yourself with company- and unit-level strategy; understanding changes in customers, competitors, and your industry; and anticipating how your choices may impact people and processes in other parts of your organization all help you gain the broad perspective you need to make savvy business decisions.

- They stay on top of important trends in the industry in which their company competes, such as changes in governmental policy, technological advances, availability and quality of natural resources, and demographic shifts.

Not the best choice.

Improving your view of the larger "business ecosystem" in which you operate isn't only about focusing on industry trends. It's about constantly monitoring what's going on both inside *and* outside your organization—and using your awareness to make smart on-the-job choices that ensure your company's best possible future. Familiarizing yourself with company- and unit-level strategy; understanding changes in customers, competitors, and your industry; and anticipating how your choices may impact people and processes in other parts of your organization all help you gain the broad perspective you need to make savvy business decisions.

Check Your Knowledge: Question 5

Your boss has just defined an urgent strategic objective for you: "Enhance quality to improve company performance." As a strategic thinker, how might you best respond to your boss's mandate initially?

- Gain insights from managers who are working in other functions about how the company has been performing and what may be contributing to performance problems

Not the best choice.

Asking other managers about company performance would not be the most effective first response. Instead, you would want to ask your boss clarifying questions about the mandate. When your boss defines strategic objectives for you, it's important to ensure that you understand those objectives in the most specific terms possible. Asking clarifying questions can help you avoid misunderstandings about goals, specify areas where you should invest your effort and time, and anticipate possible impacts of any changes on other parts of the organization. In addition to asking their boss clarifying questions, strategic thinkers also offer ideas for additional objectives that may help their group support company-level strategies.

- Move immediately to reduce errors, improve accuracy, and incorporate cutting-edge innovation into every process for which your group is responsible

Not the best choice.

Acting immediately on your assumptions about what your boss's mandate means would not be the most effective first response. Instead, you would want to ask your boss clarifying questions about the mandate. When your boss defines strategic objectives for you, it's important to ensure that you understand those objectives in the most specific terms possible. Asking clarifying questions can help you avoid misunderstandings about goals, specify areas where you should invest your effort and time, and anticipate possible impacts of any changes on other parts of the organization. In addition to asking their boss clarifying questions, strategic thinkers also offer ideas for additional objectives that may help their group support company-level strategies.

- Ask your boss clarifying questions, such as "What do you mean by 'enhance quality'?" and "Where should we focus our quality-enhancement efforts?"

Correct choice.

When your boss defines strategic objectives for you, it's important to ensure that you understand those objectives in the most specific terms possible. Asking clarifying questions can help you avoid misunderstandings about goals, specify areas where you should invest your effort and time, and anticipate possible impacts of any changes on other parts of the organization. In addition to asking their boss clarifying questions, strategic thinkers also offer ideas for additional objectives that may help their group support company-level strategies.

Check Your Knowledge: Question 6

Identifying relationships, patterns, and trends is an important strategic thinking skill. Which of the following is an example of this skill in action?

- At a conference, you hear a presenter describe a new process-improvement approach being used in a different industry. You consider adapting that process in your own company.

Correct choice.

Spotting opportunities to leverage best practices from industries very different from yours is an example of the ability to identify relationships, patterns, and trends—particularly in seemingly unrelated arenas. Application of this strategic thinking skill also enables you to understand relationships across different parts of your organization, interpret changes across time in important performance metrics (such as employee turnover or revenues), and organize seemingly disparate information into more manageable categories.

- While attempting to solve a recurring problem in your group, you invite your direct reports to challenge their assumptions about how work should be done in your organization.

Not the best choice.

Challenging assumptions is an example of creative thinking—a strategic thinking skill different from identifying relationships, patterns, and trends. Spotting opportunities to leverage best practices from an industry very different from yours is the correct example of the ability to identify relationships, patterns, and trends. Application of this strategic thinking skill also enables you to understand relationships across different parts of your organization, interpret changes across time in important performance metrics (such as employee turnover or revenues), and organize seemingly disparate information into more manageable categories.

- To carry out a strategic mandate to improve order fulfillment for customers, you list all the critical data you need to know in order to achieve this important objective.

Not the best choice.

Listing needed data is an example of analyzing information—a strategic thinking skill different from identifying relationships, patterns, and trends. Spotting opportunities to leverage best practices from an industry very different from yours is the correct example of the ability to identify relationships, patterns, and trends. Application of this strategic thinking skill also enables you to understand relationships across different parts of your organization, interpret changes across time in important performance metrics (such as employee turnover or revenues), and organize seemingly disparate information into more manageable categories.

Check Your Knowledge: Question 7

Creative thinking constitutes an important strategic thinking skill. Which of the following is a valuable outcome of creative thinking?

- An effective plan for gathering information you need to solve a pressing business problem

Not the best choice.

An information-gathering plan is a desired outcome of another strategic thinking skill: analyzing information. Visualizing new possibilities (even if they seem initially preposterous), formulating new approaches to getting things done, and opening yourself to new information that doesn't support your existing assumptions are all hallmarks of creative thinking. By enabling you to generate more alternatives rather than limiting your choices to just the first one or two that come to mind, creative thinking boosts your chances of ultimately selecting the best possible course of action.

- Awareness of underlying common themes in a wide range of data you're evaluating

Not the best choice.

Awareness of common themes in disparate data is a desired outcome of another strategic thinking skill: identifying relationships, patterns, and trends. Visualizing new possibilities (even if they seem initially preposterous), formulating new approaches to getting things done, and opening yourself to new information that doesn't support your existing assumptions are all hallmarks of creative thinking. By enabling you to generate more alternatives rather than limiting your choices to just the first one or two that come to mind, creative thinking boosts your chances of ultimately selecting the best possible course of action.

- An open attitude toward seemingly bizarre ideas that your company hasn't considered before

Correct choice.

Visualizing new possibilities (even if they seem initially preposterous), formulating new approaches to getting things done, and opening yourself to new information that doesn't support your existing assumptions are all hallmarks of creative thinking. By enabling you to generate more alternatives rather than limiting your choices to just the first one or two that come to mind, creative thinking boosts your chances of ultimately selecting the best possible course of action.

Check Your Knowledge: Question 8

Analyzing information is another key strategic thinking skill. Which of the following is an example of how you might apply this skill?

- Borrow from previously developed solutions that proved useful for addressing problems such as one you're dealing with currently

Correct choice.

Building on existing knowledge is one valuable way to apply your skill at analyzing information. By adapting proven solutions, you save time and help spread wisdom gained in other parts of your organization. Other ways to apply this skill include determining the critical information you need to address the issue at hand, as well as developing and implementing an effective information-gathering plan.

- Gather all information directly and indirectly related to a current challenge, so you can compile the most comprehensive data possible

Not the best choice.

Gathering all possible information is too broad an approach and will only overwhelm you with data. One key to analyzing information is efficiency: borrowing from proven solutions to save time, identifying only the most critical information you need to solve your issue, and developing and implementing an effective information-gathering plan.

- Concentrate your information analysis on what's going on in your immediate group, since you're most familiar with that source of data

Not the best choice.

Focusing your information analysis only on your immediate group is too narrow an approach. A more analytical approach is to borrow from proven solutions. Additional examples of how to apply this skill include identifying only the most critical information you need to solve your issue and developing and implementing an effective information-gathering plan.

Check Your Knowledge: Question 9

How might a strategic thinker best approach accomplishing a long list of "to do's" facing him or her at the start of a work day?

- Tackle the easiest items first so as to get rid of distractions and then focus more sharply on the most important activities and tasks

Not the best choice.

Tackling easy tasks first is not the most strategic use of your time and energy. Instead, you need to identify and prioritize the critical tasks in your long list of "to do's"—those activities that will generate the most valuable results for your group and company. More peripheral items can be postponed, delegated, or even left undone if necessary, so you can focus your time and energy on strategically relevant activities.

- Identify and schedule the most critical items on the list first, while delegating or leaving undone any peripheral items

Correct choice.

By prioritizing your actions in this way, you keep your eye on the big picture—a key element of strategic thinking. All managers are busy and have many responsibilities. Part of being a strategic thinker is knowing how to identify and prioritize the critical tasks in your long list of "to do's"—those activities that will generate the most valuable results for your group and company. More peripheral items can be postponed, delegated, or even left undone if necessary, so you can focus your time and energy on strategically relevant activities.

- Address all urgent responsibilities immediately, since these constitute the most important items on the list

Not the best choice.

Tackling urgent tasks first is not the most strategic use of your time and energy, because some tasks are urgent but not important. Instead, you need to identify and prioritize the critical tasks in your long list of "to do's"—those activities that will generate the most valuable results for your group and company. More peripheral items can be postponed, delegated, or even left undone if necessary, so you can focus your time and energy on strategically relevant activities.

Check Your Knowledge: Question 10

Knowing how to make smart trade-offs is a vital strategic thinking skill. Which of the following approaches can help you apply this skill?

- Weighing the short- and long-term consequences of a proposed course of action

Correct choice.

Some trade-offs involve sacrificing short-term gains in order to achieve important long-term gains, or vice versa. Thus, weighing the possible short- and long-term consequences of a proposed course of action, and considering how each of those consequences relates to your company's strategic goals, can help you make smart trade-offs. Other approaches to making wise trade-offs include assessing the pros and cons of alternative courses of action, considering whether actions that benefit your group will also benefit the rest of your organization, and specifying what you won't do to resolve a problem or achieve a goal.

- Identifying the full range of possible advantages offered by a decision you advocate

Not the best choice.

To make smart trade-offs, you need to identify both the advantages *and* disadvantages of a course of action. Thus, the correct answer to this question is "weighing the short- and long-term consequences of a proposed course of action." Some trade-offs involve sacrificing short-term gains in order to achieve important long-term gains, or vice versa. Therefore, weighing the possible short- and long-term consequences of a proposed course of action, and considering how each of those consequences relates to your company's strategic goals, can help you make smart trade-offs.

- Optimizing your group's performance to improve company performance overall

Not the best choice.

Optimizing your group's performance doesn't necessarily improve company performance overall. For example, if your group greatly increases sales within a short time period, the production staff may be unable to keep up—resulting in late deliveries of orders and dissatisfied customers. To make smart trade-offs, you need to consider the impact of any changes in your group's activities on the rest of your organization. Thus, the correct answer to this question is "weighing the short- and long-term consequences of a proposed course of action." Some trade-offs involve sacrificing short-term gains in order to achieve important long-term gains, or vice versa. Therefore, weighing the possible short- and long-term consequences of a proposed course of action, and considering how each of those consequences relates to your company's strategic goals, can help you make smart trade-offs.

Check Your Knowledge: Results

Your score:

Steps for understanding your company's and unit's strategies

1. Determine whether your company and unit have strategic plans.

Ask your boss whether strategic plans exist at the corporate and unit levels. If so, see if you can obtain copies. The information contained within these documents will help you gain a better understanding of your company's and unit's strategic missions, visions, and goals.

2. Talk with your boss about your corporate and unit strategies.

After you have reviewed all the strategy documents that are available to you, talk with your boss about the company's and unit's future direction. Ask your boss to tell you about corporate or unit planning sessions that he or she has attended.

3. Ask for your peers' perspectives on company and unit strategies.

Talk with other managers in your organization to understand how the company and units approach strategy formulation, planning, and execution.

4. Observe the decisions and messages that are being communicated by executives and managers in your organization.

- Read or listen to presentations that the CEO has made to the board, investors, and others. CEO presentations typically communicate direction and progress toward both short-term business goals and long-term strategic initiatives.
- If your company is public, read its annual report.
- Review your organization's Web site.
- Review your company's advertisements and press releases.
- Look at marketing and product information.
- Examine newsletters and other communication channels for information about your organization's strategy.
- Attend all company meetings in which strategies and results are discussed. Doing so will keep you on top of changes taking place in the organization.

5. Be able to discuss your company's and unit's strategies with others.

By talking about your corporate and unit strategies and answering questions that others may have, you will deepen your understanding of the strategies at play within your organization. Questions you should be able to answer include:

- What are your company's and unit's strategies?
- Why were they chosen?
- What is needed for the strategies to succeed?

Steps for balancing short-term requirements with long-term goals

- 1. Meet with your boss to determine how much time you and your team should be allocating towards short-term issues versus long-term goals.**
- 2. Review the work that you and your team have done in the past month to determine what has been accomplished on both short- and long-term issues.**

If the balance is not right according to your group's priorities, set new guidelines for how you and your team spend your time.

- 3. Keep an ongoing log to determine how you and your team are spending your time.**
- 4. Every two weeks, evaluate whether you and your team are giving the proper time and attention to short-term requirements and long-term goals.**

Again, if the balance is not right according to your group's priorities, readjust your focus appropriately.

5. When you face competing priorities, determine which are the most important and make those your first priority.

When an urgent matter arises, determine how it fits into your daily plan (is it urgent and important, or simply urgent?) and act accordingly.

6. Ask your team how it can make progress on long-term issues while addressing short-term needs.

For example, a goal may be to develop a line of products for a new market. Ask the team to figure out how to make progress on that goal while also developing products for existing markets.

Tips for seeing the big picture

- Think "What if?" With every idea or course of action under consideration, ask yourself and others, "If we implement this idea, how will other units and stakeholders be affected? What might be the long-term ramifications of this decision?"
- Broaden your perspective. When making an important decision, resist any urge to choose quickly from the first few alternatives that emerge. Instead, expand your range of alternatives by gathering ideas and concerns from your full range of stakeholders—everyone who has an interest in the decision or who will be affected by the final choice and its outcome.
- Grasp your company's and unit's strategies. By talking with your boss and knowledgeable peers, as well as examining annual reports and other company publications, formulate a clear statement of your company's and unit's strategies.
- Get your customers' and competitors' perspectives. Look at your group through your customers' and competitors' eyes. Ask, "What would I think of my group if I were a customer? A competitor? What would I see as my group's strengths and weaknesses?"
- Stay informed. Use trade publications, business magazines, and other information sources to stay on top of important trends affecting your industry, customers, suppliers, and employees. Conversations with knowledgeable professionals and participation in professional associations can also help you stay informed.
- Join up. Volunteer for cross-functional teams and task forces. You'll learn more about how the many different parts of your organization work together and what your peers' challenges and needs are.
- Play strategic games. Use chess—and any other games that require you to envision a sequence of strategic moves and countermoves—to practice anticipating the long-term consequences of your actions.

Tips for clarifying strategic objectives

- Ask questions about objectives mandated from your boss. Don't assume you understand objectives mandated by your boss. Ask questions to gain the most specific possible understanding of what your boss wants you to achieve.
- Augment your boss's ideas. Offer ideas for additional objectives that might generate valuable strategic results for your group and company.
- Envision future challenges for your group. Decide what your group needs to accomplish now in order to address challenges or take advantage of opportunities that may present themselves in

the future.

- Define the initiative's purpose. Be able to articulate exactly how a strategic initiative will benefit your company. Avoid "scope creep," whereby you agree to expand the purpose of the initiative to accommodate a wide variety of demands from numerous stakeholders.

Tips for identifying relationships, patterns, and trends

- Look for ideas beyond your business. Read widely to learn about how managers in other industries solve problems, make decisions, and improve performance. Think about how you might apply their ideas to your own situation—even if you're operating under very different conditions.
- Find common themes. Examine large volumes of seemingly unrelated information, looking for underlying themes. Ask, "How can these pieces of data be organized into categories?"
- Seek analogies. Find similarities between familiar and unfamiliar situations or issues. For instance, the invention of VELCRO™ brand products arose from the analogy of burrs clinging to clothing. To get started, tell yourself, "This is like..." or "This reminds me of..." or "This is different from..."
- Track important metrics. Notice how important processes in your group are changing over time. As soon as you see an anomaly—an unexpected drop in sales, a surprising increase in errors—investigate to find the cause.
- Experiment. Use small-scale, real-time simulations to find the causes behind process problems in your group and generate ideas for solutions.

Tips for thinking creatively

- Challenge current approaches to work. Consider whether you and your direct reports might work together in new, previously unimaginable ways.
- Challenge existing beliefs and assumptions. Ask yourself, your peers, and your direct reports whether your current views on how things work in your unit or company are accurate.
- Become educated. Take a course on a subject such as creative thinking, creative writing, or improvisational acting—disciplines that can help you flex your creative-thinking muscles.
- Use mind maps. On blank sheets of paper, draw pictures representing your thoughts and the ways in which they can be connected. You may generate more connections than if you merely listed ideas on a lined sheet of paper.
- Be positive. View problems as challenges and opportunities. Open your mind to new ideas—even if they seem preposterous at first.
- Call on creative types. Identify the creative people in your company. Call on them to get involved in brainstorming sessions and other such activities if you need help stimulating participants' creative juices.
- Change your routines. Make small changes in your daily routines and physical environment to help yourself see that things can be done in different ways.
- Listen for change resistance. As soon as you hear someone say anything along the lines of "We've always done it this way," be willing to challenge their assumptions.
- Reserve time to be creative. Block out time in your daily schedule that will not be booked with a meeting, task, or other work-related activity. Use that time to let your thoughts wander: You may well find yourself thinking of new ideas for solving old problems.
- Model creativity. By offering playful and seemingly preposterous ideas to others, you model creative thinking. Others may emulate you—further stimulating the creative energy in your group.

Tips for analyzing information

- Get critical. With every problem or decision you're considering, identify the most important information you have on hand and the vital data you're missing.
- Ask the five whys. When you identify a problem, ask, "Why is this happening?" When you hear the answer, ask why again. Ask why at least five times to ensure sufficient depth of analysis.
- Analyze successes. Spend as much time analyzing what makes a process or project successful as you do analyzing the causes of failures.
- Think process. To solve a problem, list everyone who's involved in the relevant process. Observe their work and ask them questions to find out how the process is handled at each stage and where the obstacles, ambiguities, or bottlenecks might be.
- Use existing knowledge. Leverage insights and wisdom that others have gained by addressing issues and situations similar to the one you're currently handling.

Tips for prioritizing your actions

- Identify high-priority tasks. Decide which tasks or activities will generate the most benefit for your organization and your group. Also identify tasks that your manager considers most important.
- Document your use of time. For the next week, keep a detailed record of how you spend your time. Each day, write down what you do and for how long. Analyze your results to determine whether you're devoting most of your time to high-priority work—or wasting your time on strategically unimportant activities.
- Schedule high-priority work. Block out time in your calendar for strategically important activities, so your schedule doesn't fill up with peripheral tasks and meetings.
- Organize documents. Quickly get the gist of each document you encounter—whether it's an e-mail, memo, report, or some other communication. Decide promptly whether you need to take action on the information in the document, whether you can delegate the required action, or whether you can redirect the document to someone else. Periodically dispose of outdated and unnecessary documents from your files and e-mail folders.

Tips for making trade-offs

- Think *will* and *won't*. In making a complex decision or considering an important course of action, identify what you will and won't do.
- Balance short term with long term. Ask what you'd be willing to trade off in the long run for some important short-term gain—and vice versa.
- Assess pros and cons. List the advantages and disadvantages of alternative courses of action you're considering.
- Gauge your support. While weighing alternative courses of action, estimate who will support a particular idea and who will oppose it. Ask whose support you can live without, and whose backing and buy-in you absolutely need.
- Balance unit and company needs. Ask whether a decision that could help your group vastly improve its performance might pose such serious problems for other parts of your organization that the gains for your group might not be worth the price other groups will pay.

Strategic thinking self-assessment

Strategic Thinking Self-Assessment					
Part I: Assessment					
Use this tool to assess your strategic thinking abilities. For each statement below, indicate how accurately the statement describes you: "1" indicates "Rarely," "5" indicates "Usually." Be sure to answer based on your actual behavior in real workplace situations. That way, you'll have the most accurate assessment of your skills.					
Statement	Rating				
	Rarely 1	2	3	4	Usually 5
1. I ask questions about what's going on in my unit, company, industry, and wider business environment.					
2. I am able to adapt approaches and shift ideas when new information suggests the need to do so.					
3. I look for opportunities today that might generate valuable results tomorrow.					
4. I view challenges as opportunities.					
5. I welcome new ideas and opinions—even if they seem strange at first.					
6. I take criticism well by not reacting in a defensive manner.					
7. I work to broaden my knowledge, experience, and skill set.					
8. I seek other people's opinions.					
9. I anticipate how my actions will affect others around me.					
10. I question my own longstanding assumptions and encourage others to question theirs.					
11. I understand the forces influencing my group's performance.					
12. I know who my company's customers are and what they value.					
13. I know who my company's competitors are and what makes us different from them.					
14. I stay up to date on important trends affecting my company's industry and my group's operations.					
15. I objectively analyze situations.					
16. I evaluate the pros, cons, and implications of different courses of action.					
17. I grasp abstract ideas and put the "pieces" together to form a coherent picture.					
18. I generate a wide variety of options, visualize new possibilities, and formulate fresh approaches.					
19. I see patterns across unrelated events and information.					
Statement	Rating				
	Rarely 1	2	3	4	Usually 5
20. I can sift out irrelevant from relevant information while deciding how to solve a problem or handle a challenge.					
21. I can often visualize new possibilities that others have trouble seeing.					
22. I try to generate multiple alternative courses of action while making important decisions.					
23. I compare the potential short- and long-term consequences of actions I'm considering.					
24. I consider whether improvements I'm making to my own group's operations may create problems for people in other parts of my organization.					
25. I stay focused on my objectives while handling multiple demands and competing priorities.					
Total score (Calculate your score by adding up the numbers for each of your responses.)					
Part II: Scoring					
Use the following table to interpret your score.					
104–125	Exceptional: You're a talented strategic thinker who possesses many of the traits, behaviors, attitudes, and cognitive capacities that are necessary for thinking strategically.				
78–103	Superior: You're a highly effective strategic thinker in many areas but would benefit from refining some of your skills.				
51–77	Adequate: You know and practice many of the basics of strategic thinking. However, you can increase your success by further extending your skills.				
25–50	Deficient: You'll need to work broadly on your strategic thinking skills so that you can learn how to analyze opportunities and problems from a broad perspective and understand an action's potential impact on others.				

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for seeing the big picture

Worksheet for Seeing the Big Picture	
Use this tool to gain a sense of the "business ecosystem" in which you operate. Seeing the big picture can help you set the stage for thinking strategically about your work.	
Part I: Your Company and Unit	
1. What is your company's competitive strategy? If you don't know, what steps might you take to find out? Consider asking your boss and peer managers, as well as examining company documents and executive communications.	
2. What are your unit's strategic objectives? How do those objectives relate to the corporate strategy? For example, if you work in a product development unit, has your unit defined a strategy stipulating development of new product lines to support a high-level strategy focused on innovation?	
3. What actions, plans, and decisions might enable your group to help support your unit's and company's strategies? Consider potential process improvements, better management of costs, new revenue opportunities, and other potentially valuable courses of action.	
Part II: Your Customers, Competitors, and Industry	
4. Who are your company's customers? Consider various customer segments as well as any internal customers your group may serve if you work in a support function.	
5. What needs and preferences does your organization currently fulfill for its customers? What unique forms of value does your company offer its customers?	
6. How might your customers' needs and preferences evolve in the future? Do you anticipate demand for faster service, higher-quality products, more affordable offerings?	
7. What could your group do to help your company fulfill customers' changing requirements? Consider process improvements, product ideas, and other means of enhancing the value your organization provides customers.	
8. With what organizations does your company compete? Ask your boss, peer managers, and business acquaintances for input.	
9. What industry trends might have important implications for your company's business? Consult business publications and talk with other informed professionals to assess these trends.	
10. How might your group take advantage of opportunities offered by emerging industry trends or stave off threats posed by such trends? Cite as many examples as you can.	
Part III: Your Boss, Peers, and Employees	
11. Think of a decision you're weighing or a course of action you're considering. Write it below.	
12. Who are all the stakeholders in this decision? List everyone who would be affected by or have an interest in the outcome of the decision. Be sure to consider your boss, any peer managers, and employees.	
13. How will you learn about the potential impact of your decision on your various stakeholders in different parts of your organization? List the questions you will want to ask your stakeholders.	
14. If you've consulted stakeholders about their concerns regarding your decision or proposed course of action, have you identified any underlying issues that cross multiple groups of stakeholders? If so, what are they? Common shared concerns may include cost, time, workload, and so forth.	
15. How might you shape your decision or proposed course of action so as to address stakeholder concerns you've	

identified? For example, would a pilot project help ease worries about the expense of a new initiative?

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for clarifying strategic objectives

Worksheet for Clarifying Strategic Objectives	
Use this tool to articulate your group's strategic goals and aims, and to clarify what you hope to achieve through strategic thinking. Clarifying objectives enables you to set the stage for thinking strategically about your work.	
1. What strategic objectives has your boss defined for you and your group? List them below.	
2. If some or all of the objectives your boss has defined are vague or general, how might you gain further clarity and specificity? For example, if your boss has told you "We need to be more innovative," you might ask, "Where should we focus our innovation efforts—on products? Processes? Services?"	
3. What ideas for strategic objectives might you add to those mandated by your boss? Consider goals your group could aim for in order to make the best possible contribution to your company in the coming years.	
4. What strategic initiatives have you recently been charged with leading? Strategic initiatives are projects—such as installing a customer relationship management (CRM) system, or enhancing quality-control processes—designed specifically to help carry out a company's or unit's strategy.	
5. What is the strategic priority that each of the initiatives you're leading is intended to serve? For instance, is the new CRM system you're helping to research designed to enable your company to identify new customer segments?	
6. How might you ensure that your strategic initiatives' objectives remain clearly focused on the company or unit priorities they are intended to serve? Often, innovative stakeholders have different goals in mind for a particular project—which can lead to chaos and allocation of resources away from strategic priorities.	
7. Are there alternative projects that merit consideration in addition to the strategic initiatives currently on your plate? How do the various alternatives compare in terms of cost, feasibility, and other criteria?	
8. For each strategic initiative you're working on, write the project's objective below. Ensure that each objective is SMART: specific, measurable, achievable, realistic, and time bound.	

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for identifying relationships, patterns, and trends

<i>Worksheet for Identifying Relationships, Patterns, and Trends</i>	
<i>Use this tool to understand relationships, patterns, and trends in seemingly unrelated events and information. This strategic thinking ability can help you generate valuable solutions to problems and organize details into manageable levels.</i>	
1. Think of a problem you're experiencing in your group or a difficult decision you're facing. <i>Examples might include increased defection of talented employees, inefficiencies in a particular process, and so forth.</i>	
2. What ideas have you read or heard about that you might borrow from to address your own situation? <i>Consider practices applied in other companies or industries—even if those settings differ markedly from your own.</i>	
3. What changes over time seem to be occurring regarding the issue you're dealing with? <i>For example, is turnover in your group increasing at a steady pace? Rising and then falling? Increasing and then flattening out?</i>	
4. What changes in other parts of your organization might be related to your issue? <i>For instance, has the company invested less in professional development programs recently? Might that change correspond with increased turnover rates in your group?</i>	
5. What might you do to gain a broader perspective on your issue? <i>Could you participate in more cross-functional task forces to learn more about how changes in different parts of the company affect various units and groups?</i>	
6. If you're evaluating a large amount of data while addressing your issue, how might you organize the data into a more manageable form? <i>Look for common themes underlying different pieces of information or events.</i>	

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for thinking creatively

<i>Worksheet for Thinking Creatively</i>	
<i>Use this tool to strengthen your creative thinking ability—an important component of strategic thinking.</i>	
1.	<i>Think of a problem you're trying to solve or a course of action you're considering. Write it below. For example, perhaps you want to find ways to generate ideas for improving faulty customer service.</i>
2.	<i>What assumptions do you and your group hold regarding the issue at hand? Do you assume, for instance, that customers must receive their orders within two days or they'll defect to a competitor?</i>
3.	<i>What questions might you ask to challenge these assumptions? Could you ask, "Why do we believe this about our customers? What if we delivered orders in three or four days?"</i>
4.	<i>How might you stimulate creative brainstorming of ideas within your group? Consider challenging yourself and your employees to dream up the most preposterous ideas possible—without judging one another's ideas.</i>
5.	<i>In your view and in the opinion of your direct reports, what would resolution of your issue look like in an ideal world? For instance, perhaps in your vision of a perfect world, customers would care only about how easy it is to open your product's packaging and use the contents—not about when they take delivery of the order.</i>
6.	<i>How might you gather the broadest possible perspective on your issue? Could you assemble a one-time cross-functional team comprising managers from other units who can offer ideas for addressing your issue? Are there individuals outside your organization—customers or suppliers—who could provide additional valuable ideas?</i>
7.	<i>What steps could you take to create a playful mood in which you and your group can stimulate your creative thinking? Would toys, food, or improvisational exercises help loosen everyone up?</i>

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for analyzing information

Worksheet for Analyzing Information	
Use this tool to strengthen your ability to analyze information—another important strategic thinking skill.	
1. Consider a difficult situation, an important decision, or a pressing problem you're facing in your group. Write it below. <i>Examples might include recurring customer complaints, declining employee performance, flattening sales, and so forth.</i>	
2. What critical information do you need to know in order to resolve your issue? <i>List as many questions as you can think of that may generate the information you need—and think of the issue from a broad organizational perspective. For example, if your issue involves improving customer call center service, you might ask questions such as, "How would improving this service support our unit's strategic goals? Do other companies provide better service? If so, in what respects? How might improving our service affect other parts of our organization, as well as processes related to our call center's work? Do we have the ability to make the desired improvements?"</i>	
3. What information do you already have regarding your issue? <i>By listing this information here, you can more easily focus on gathering the needed data you've listed in step 2.</i>	
4. Whom might you contact to gather the needed information you listed in step 2? <i>Will you talk with your boss? Call center employees? Customers? Competitors? Suppliers?</i>	
5. How will you gather the information you need? <i>Will you visit call center sites to observe workers in action? Act as a "mystery customer" and phone a center yourself to assess the quality of the service? Phone contacts and ask for their ideas about what may be causing the problem?</i>	
6. How might you build on existing knowledge to address your issue? <i>Consider whether you or someone else in your organization has dealt successfully with a similar situation before. If so, how might you adapt proven solutions to your current problem?</i>	

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for prioritizing your actions

Worksheet for Prioritizing Your Actions	
Use this tool to prioritize your actions while planning management of a strategic initiative and organizing a typical work day.	
Part I: Planning a Strategic Initiative	
1. Consider a strategic initiative you've been charged with leading. Write it below. <i>Examples might include setting up a new order-fulfillment system, installing a new employee database, and so forth.</i>	
2. What phases will your initiative consist of? <i>For example, installing a new database might involve researching off-the-shelf applications, defining the structure of the database contents, testing early versions, and so forth.</i>	
3. How much time do you anticipate needing to complete each phase of the initiative? The total initiative? <i>Compare your estimates to times required on similar projects that have been completed.</i>	
4. Where in your schedule are delays most likely, and how will you handle them? <i>Consider building more time into these phases of the initiative.</i>	

5. Which initiative tasks depend on completion of other tasks? These represent potential bottlenecks, and merit extra attention during execution of the initiative.

6. How will you gather feedback on your proposed timeline so as to create a final, realistic version? Consider asking colleagues, employees, people who will be implementing parts of the initiative, and any other stakeholders to identify potential problems with your working timeline.

Part II: Organizing a Work Day

7. The next time you come to work on a Monday morning, list all the things you want to accomplish that day. List tasks as they come to mind, without trying to organize them just yet.

8. Review your list. Which items are the most critical? Critical items are those that generate the most valuable results for your group and company when completed.

9. Which items on your list are peripheral? Peripheral items have little or no bearing on your group's or company's high-priority objectives.

10. Which items are urgent but not important? Some tasks are time sensitive but have little strategic value.

11. How will you schedule the critical tasks on your list to ensure that they're completed effectively and on time? Divide work into parts if necessary, to help you determine which tasks to focus on in which sequence. Consider what parts of the work must be done today, tomorrow, next week, next month, and so forth.

12. Which items on your list can be delegated to members of your team? Which can be left undone with no harmful impact on your group or company? Knowing when to delegate and when to ignore strategically irrelevant tasks can help you focus further on critical items on your list.

© 2005 Harvard Business School Publishing. All rights reserved.

Worksheet for making trade-offs

Worksheet for Making Trade-Offs	
<i>Use this tool to make smart trade-offs while grappling with a difficult decision or problem.</i>	
1. Identify an important decision or problem you're facing. <i>For example, a key design expert on a new product has fallen behind schedule in handling his part of the project, and you must decide whether to delay launch of the product so as to incorporate his expertise or go ahead without it.</i>	
2. What are your choices regarding the issue you're facing? <i>For instance, you could delay the product launch, borrow an existing design and launch the product on time, find another skilled designer who can step in immediately and take over that part of the project, and so forth.</i>	
3. What are the pros and cons of each of the choices you listed in step 2? <i>For example, delaying the product launch would ensure that the product embodied cutting-edge design, but it would risk losing sales to eager customers who expect to purchase the new offering by the original promised date.</i>	
4. How might knowledge of your company's or unit's strategic goals inform your decision? <i>If your company's strategy emphasizes increasing sales revenues, you might decide to keep the product on schedule—and trade off design innovation for sales.</i>	
5. What are the potential short- and long-term ramifications of your choices? <i>Launching the product on schedule but with a less-than-stellar design might generate needed sales in the short run but reduce sales in the long run if customers decide that the product is mediocre.</i>	
6. What cross-functional considerations should you take into account while making your decision? <i>For instance, delaying launch of the product—even if it's the right thing to do overall—could overburden the sales group if they have already committed their energy to introducing other products during the time when you now want to launch your new product.</i>	
7. Taking all of your above responses into account—pros and cons of alternatives, your company's and unit's strategic goals, short- and long-term consequences of your choices, and cross-functional considerations—what trade-off seems most appropriate to make in this situation? <i>Write your decision, and explain your rationale.</i>	

© 2005 Harvard Business School Publishing. All rights reserved.

Why Develop Others?

“At the end of the day, you bet on people, not strategies.”

Larry Bossidy

Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy

Professor

University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who

can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle where everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would

often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

Dr. Noel M. Tichy

Professor, University of Michigan Ross School of Business

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[Tips for seeing the big picture](#)

[Steps for understanding your company's and unit's strategies](#)

[Strategic thinking self-assessment](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

Discussion 1: Evaluating a project's strategic potential

Teams are constantly considering new projects. For example, in a product development team, perhaps members are gauging the appeal of a feature proposed for a new product. In a customer call center, they may be exploring the possibility of changing the way they handle customer complaints. In a market research unit, perhaps they're considering designing a new survey to test potential interest in your company's offerings in a new market.

Whatever shape your team's projects take, it's important for team members to evaluate their projects' strategic potential. A good first step in this process is for them to see the "big picture" — the larger business ecosystem in which a project fits. Specifically, how would a project support your company's strategic goals? And how would it help your team exploit trends emerging among customers and

competitors, and in the industry overall?

By generating answers to such questions, your team members boost the chances that projects they're considering will generate real strategic value for your unit and company overall.

Use these resources to lead a discussion with your team about how to assess a project's alignment with company strategy and its ability to exploit customer, competitor, and industry trends.

Download resources:

[Discussion Invitation: Evaluating a Project's Strategic Potential](#)

[Discussion Guide: Evaluating a Project's Strategic Potential](#)

[Discussion Slides: Evaluating a Project's Strategic Potential \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Discussion 2: Strategizing solutions to a problem

As your team members go about their work, they routinely encounter problems. For example, perhaps customer complaints about a particular product are on the rise. Or maybe certain processes are taking too long to carry out. Or perhaps team members are having difficulty getting the information they need to make decisions.

Whatever shape their problems take, team members can use strategic thinking to develop effective solutions. A key strategic thinking skill is to understand relationships, patterns, and trends in seemingly unrelated events and information. By seeing such connections, your team members can generate valuable solutions to their problems. That benefits them, your unit, and your company overall.

Use these resources to lead a discussion with your team about how to strategize solutions to a problem by identifying relationships, patterns, and trends.

Download resources:

[Discussion Invitation: Strategizing Solutions to a Problem](#)

[Discussion Guide: Strategizing Solutions to a Problem](#)

[Discussion Slides: Strategizing Solutions to a Problem \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure

their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)

[Learning Project Plan Template](#)

[Learning Project: See the Big Picture](#)

[Learning Project: Define Strategic Objectives for Our Team](#)

How Strategy Shapes Structure

[W. Chan Kim and Renée Mauborgne. "How Strategy Shapes Structure." *Harvard Business Review*, September 2009.](#)

[Download file](#)

Summary

When executives develop corporate strategy, they nearly always begin by analyzing the industry or environmental conditions in which they operate and the strengths and weaknesses of the players they are up against. They then set out to carve a distinctive strategic position from which they can outperform their rivals by building a competitive advantage. The underlying logic here is that a company's strategic options are bounded by the environment. In this structuralist approach, structure shapes strategy. But as Kim and Mauborgne, the authors of *Blue Ocean Strategy*, point out, history reveals plenty of situations in which firms' strategies shaped structure—from Ford's Model T to Nintendo's Wii. For the past 15 years, the authors have been developing this reconstructionist approach into the blue ocean strategy, which reflects the fact that a company's performance is not necessarily determined by an industry's competitive environment.

The 10 Trends You Have to Watch

[Eric Beinhocker, Ian Davis, and Lenny Mendonca. "The 10 Trends You Have to Watch." *Harvard Business Review*, July 2009.](#)

[Download file](#)

Summary

Executives are beginning to look to the future after spending a full year in crisis mode. As they reengage in strategic thinking, they will need to continually assess the changing economic landscape—and they can effectively do that by keeping a close watch on the underlying forces outlined in this article. The authors, from McKinsey & Company, discuss the current trajectories of 10 particularly important trends: strains on natural resources, a damper on globalization, the loss of trust in business, the growing role of government, investment in quantitative decision tools, shifting patterns of global consumption, the economic rise of Asia, industry structure upheaval, technological innovation, and price instability. Companies' strategic behavior should be tied closely to these trajectories.

v 11.0.2.07272011 © 2011 Harvard Business School Publishing. All rights reserved.